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**LOCAL ECONOMIC  
DEVELOPMENT STRATEGY  
FOR THE CITY OF  
LIVINGSTONE, ZAMBIA**

**FINAL REPORT**

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## EXECUTIVE SUMMARY

The World Bank sees the Local Economic Development (LED) as concerned with “local people working together to achieve sustainable economic growth that brings economic benefits and quality of life improvements for all in the community”. LED offers opportunities for local governments, the private sector, the not-for-profit sector as well as local communities to work collectively together to improve the local economy and to address problems of poverty.

The aim of this report is to examine the potential and prospects for Local Economic Development in the city of Livingstone, Zambia. The central theme that is argued is of **the need for a set of coordinated strategic interventions in order that Livingstone is enabled to ‘come out of the economic shadow’ that it currently experiences from the neighbouring city of Victoria Falls, Zimbabwe.**

This report builds upon and extends in certain new directions a number of previous planning investigations that have been undertaken for Livingstone. At one level, certain of the recommendations of the earlier reports have been overtaken by recent population growth that has taken place in Livingstone. Equally important is the fact since the preparation of a 1995 report, local planning for Livingstone has necessarily become linked firmly to wider issues of globalisation that have impacted upon Zambia as a whole. As a consequence of global restructuring, within Zambia there has been created the need for a shift from an essential focus on physical development to one that prioritizes the process of local economic development planning and a search for new sources of economic growth and diversification.

In the case of Livingstone there are similar imperatives operating for economic diversification, expanding sources for local economic growth and of job creation more particularly as a result of the dramatic collapse of the city’s manufacturing economic base. At the same time as the manufacturing economy of Livingstone was in a downward spiral, there has occurred the transformation of the local economy with the growth in dominance of the tourism sector. Although the tourism sector has shown undoubted signs of vibrancy and growth, it is clear that as yet the momentum of job creation in the tourism economy is insufficient to absorb the expansion of new job seekers in the city and especially of the youth. The local labour office estimates that currently 90 percent of Livingstone’s potential labour force is either unemployed or working in low productivity and survivalist occupations, such as petty trade. The unemployment problem is most severe among Livingstone’s youth, who comprise an estimated 70 percent of the core unemployed in the city. **Job creation, economic diversification and restoring economic vibrancy to the city are thus the core challenges that face local economic development of Livingstone.**

During 2002 the first significant steps were taken in Livingstone towards the launch of local economic development planning. At a strategic planning workshop held in Livingstone during 7-12 April 2002 key local stakeholders were brought together at a USAID funded workshop to develop a strategic plan or shared vision for the city's future. The preparation of such a shared vision represents the first step in formulating any LED strategy. This document contributes towards fulfilling the shared visions that emerged from the April 2002 stakeholder workshop.

The technical approach undertaken in this document to achieve these goals involved three major sections of work and analysis:

- An assessment of the economic potential for opportunities and constraints in respect of Livingstone City and Southern Province with a specific concentration of attention on the tourism and hospitality sector;
- An analysis of the factors affecting local economic growth potential, especially of the role played by government; and,
- An understanding of the sources of revenue and current asset base of the city.

The research methodology that was pursued in this study involved a number of different elements of work that were undertaken at different levels of analysis.

- First, at **local** level, it involved over 60 focused interviews with key stakeholders in the Livingstone economy.
- Second, at **national** level, documents and material were collected from and interviews conducted with a number of government ministries (Tourism, Finance, Trade and Industry) and related organizations (National Tourism Board, Export Board, Zambia Investment Centre) that provided the national context within which to situate the prospects of the Livingstone economy.
- Finally, at the **regional** level, rich documentation was collected from a variety of sources on several critical issues that potentially impact upon the potential for development of several of the key sectors of Livingstone's economy, especially concerning tourism and manufacturing.

Analysis of the Livingstone City Council's revenue flows and assets shows that as a result of changes introduced by national government, the LCC has been forced to become more financially self-sufficient at a time when many of its traditional revenue streams have been lost. It is argued that as rates are overwhelmingly the single revenue source, that the LCC needs to focus on updating the property valuation roll as well as improving mechanism of revenue collection. Lessons may be learned from the experience of the Lusaka City Council which has outsourced to the private sector the function of local rates collection.

The report further undertakes an extended economic assessment is undertaken of the current situation, strengths and weaknesses of the major sectors of Livingstone's economy. It must be noted that an important problem for local economic development planning in Livingstone is the

weakness of available local economic data in Zambia. As no economic data is available which is specific to Livingstone, much of the material is drawn for the analysis from the interview sources as supplemented by other documentary material that pertains to the national level. The key conclusions for each sector are as follows:

### **Tourism**

It is argued that the future of Livingstone will be inextricably linked to the fortunes of the city's tourism economy. The analysis shows that in the face of the decline experienced by the city's manufacturing economy, the core challenge in Livingstone is to ensure that tourism becomes an important long-term focus for job generation as well as for poverty alleviation. It is estimated that the value of tourism to the City of Livingstone in tourist receipts could be worth US\$ 100 million in the next five years. The critical constraint on the tourism growth is the relatively high cost structure of the local tourism economy. In light of the strength of local tourism assets and of regional tourism promotion initiatives, such as OUZIT, it is argued that opportunities exist for the further growth and deepening of the tourism economy in Livingstone. The tourism sector both in Livingstone and Zambia is still relatively undeveloped and tourism is likely to consolidate its status as economic driver for the long-term development of the urban economy and of the hinterland of Livingstone.

### **Agriculture**

The national poverty reduction strategy paper identifies agriculture as a core sector and argues that it "has the potential to enhance economic growth and reduce poverty". Overall, it is evident that the commercial and small-sale agricultural economy holds certain potential for further expansion and development. The need to overcome certain critical constraints dealing with high costs, weak extension services, and expanding market linkages is necessary to reactivate the agriculture industry in the Livingstone district and the hinterland.

### **Urban Agriculture**

One in two Livingstone households is involved in the practice of cultivation. Because of its critical role in poverty alleviation and of the widespread nature of urban cultivation in Livingstone, it is argued that urban agriculture must be a strategic focus for policy intervention, particularly in terms of expanding productivity, output and local incomes.

### **Manufacturing**

The manufacturing sector is identified in the Transitional National Development Plan as one of the "major sectors with potential to significantly contribute to Zambia's economic development and poverty reduction". The local situation in the manufacturing sector is complex offering mixed opportunities and dangers for development in Livingstone. The prospects for the old



import-substitution forms of producers are bleak. New prospects are emerging for resource-based and especially agro-industrial enterprises, particularly those linked to tourism and new possibilities are offered for the attraction of an export-oriented manufacturing base through Zambia's EPZ legislation and AGOA.

### **Small Business and Informal Economy**

The small business and informal economy is the largest source of employment in Livingstone. Overall, as a result of its dominance in terms of the employment and enterprise profile of Livingstone, the small business and informal economy is a major sphere for policy and strategic intervention. There are certain limited opportunities for 'graduating' enterprises and encouraging expansion and growth from informal or micro-enterprise to small business. Nevertheless, the mass of the informal enterprise in Livingstone must be viewed as of a survivalist character and a strategic sector on grounds of addressing poverty alleviation.

### **Strategic initiatives**

Following the sectoral analysis, it is apparent that Tourism is likely to be the heart of the future growth and development of Livingstone. The Tourism cluster is focused on foreign tourism so it brings in hard currency and it also provides excellent linkages into a wide range of other areas: agriculture, manufacturing, and handicrafts. Key priorities and development strategies are identified to develop this cluster, including how to maximise the linkages between other sectors and the tourism establishments. Eight clusters of strategies are proposed in order to meet the objectives for future job creation, economic buoyancy and diversification of Livingstone's economy:

Strategy 1: Strengthen and Deepen the Cluster of Existing Tourism Enterprises

Strategy 2: Enhance the Local Authority's Role and Contribution to Livingstone's Local Economic Development

Strategy 3: Enhance the Revenue and Asset Base of Livingstone Local Authority

Strategy 4: Maximise Opportunities for Diversification of the Local Economic Base Through Promotion of Manufacturing

Strategy 5: Maximise Development Opportunities in Commercial Agriculture

Strategy 6: Enhance the Local Skills Base of Livingstone

Strategy 7: Improve the Productivity and Livelihood Opportunities in Livingstone's Small Enterprise and Informal Economy

Strategy 8: Monitor the Progress of Local Economic Development in Livingstone

The report concludes by proposing a mix of pro-growth and pro-poor project interventions in support of the core objectives for Local Economic Development in Livingstone. Nine key projects and action plans have been identified for potential funding:

**PROJECT 1: The establishment of a comprehensive tourism development plan for the Livingstone Tourism District**

- The objective of this plan would be to consolidate a comprehensive tourism plan for Livingstone and its surrounds in support of maximising the short- and long-term impact of tourism in the local economy. The plan would address development of the tourism cluster, with special emphasis on how to maximise linkages into the construction, accommodation, agriculture and manufacturing subsectors. In addition, it would focus on external marketing to attract more visitors.

**PROJECT 2: The establishment of a One-Stop Investment Centre, the Livingstone Investment Centre**

- The mission of this Center would be: *inter alia*, to function as a source of information for potential external investors about Livingstone; be an investor-friendly center offering a 'road map' on how to invest in the town; undertake limited place promotion; and, function as a listening post in terms of interacting on changing national policies (EPZs, tax free zones, regional initiatives) that would impact upon investment in Livingstone. An important additional function would be as a focal point for lobbying national government on behalf of the city of Livingstone. This center would be a satellite activity linked to the Zambia Investment Centre.

**PROJECT 3: The establishment of a Local Business Service Centre in Livingstone**

- The mission of this center would be to act as a parallel focal point for supporting the development of the small enterprise economy in Livingstone. Its mandate would be in terms of provision of advice, information on training and finance as well as the encouragement of expanded business linkages between large and small enterprises.

**PROJECT 4: Upgrade the Livingstone Trade and Training Institute**

- The objective is to support the skills development and upgrading for the city as a whole by upgrading the capacity of the existing trade and training institution

**PROJECT 5: The development of a reformed revenue collection system in Livingstone**

- The objective of this programme would be to support the Livingstone Local Authority in improving its revenue streams by in particular the preparation of a new property valuation roll and the reform of existing revenue collection procedures.

**PROJECT 6: Upgrade Livingstone Industrial Infrastructure**

- The objective of this project would be to enhance the potential of Livingstone to expand the industrial base through the potential attraction of external investors (EPZ), an enhanced environment for the growth of small industry, and incubator spaces for micro-enterprise

**PROJECT 7: Urban Agriculture Support Programme**

- The objective of this programme would be to improve the productivity, outputs and activities of urban agriculture in Livingstone. It would include the removal of municipal zoning restrictions as well as provision of advice and information to urban farmers.

**PROJECT 8: The Development of a Green Market**

- The objective of this market would be to function as a link and interface between small farmers and urban consumers, including for the potential supply and linkages with tourism lodges

**PROJECT 9: Livingstone Local Authority Capacity Building**

- The objective of this project would be to build capacity within Livingstone Local Authority with the long-term goal of assuming an expanded role for local economic development. An additional component of this project would be to liaise with the Livingstone Investment Centre for the preparation of an information system and economic data base designed to support local economic development planning

**Taken together, it is argued that these nine key projects, linked to the strategies earlier outlined, will provide a Local Economic Development Strategy for the city of Livingstone. Operationalizing these projects and programmes will allow Livingstone at last to “come out of the shadow” of the big sister of Victoria Falls, Zimbabwe and to serve as an effective engine for growth.**

## 1. INTRODUCTION – THE CONTEXT OF LOCAL ECONOMIC DEVELOPMENT

### 1.1. The Growth and Meaning of Local Economic Development

Internationally, a critical shift has taken place from a strategic planning focus upon primary issues of *physical development* towards a core focus upon the set of issues that centre upon *local economic development* (LED). Under pressures from global economic restructuring, since the 1970s a concern for implementation of LED was earliest apparent in Western Europe and North America and increasingly spread to countries of the South or developing world. As central or national governments have become less able to direct or protect economic investment in the face of globalisation, local governments have entered the competitive terrain of influencing local economic development. In essence, localities have been thrown onto themselves to take responsibility for their own development destiny and for the creation of ‘place prosperity’. As a result of globalisation, therefore, the activity of LED is now viewed as of central importance in several countries for addressing the objectives for sustainable development. This is the case in present-day Zambia where there is now a growing realization of the necessity for promoting local economic development initiatives.

LED involves new roles for the public sector with local government seen as responsible for providing the right mix of local public goods and to facilitate or enable other actors, communities, private enterprises, workers or NGOs to make their most productive contribution. It is evident that the business of LED is not merely an activity for local government alone; instead, it involves a partnership or sets of different partnerships between all stakeholders in a locality, encompassing the private sector, the community, NGOs, trade unions among others. In some cases, local authorities can assume an active or leader role in directing LED but in many cases the activities of local authorities may be of a more passive or facilitative character within the overarching context either of private sector led or community led initiatives for LED. Essentially, therefore, the activity of LED is concerned with “local people working together to achieve sustainable economic growth that brings economic benefits and quality of life improvements for all in the community” (World Bank, 2002a). LED offers opportunities for local governments, the private sector, the not-for-profit sector as well as local communities to work collectively together to improve the local economy and to address problems of poverty (World Bank, 2001).

The principal features of contemporary LED are viewed as threefold: that it is multi-sectoral, multi-actor and multi-level. It is viewed as multi-sectoral in that it encompasses “public, private and community sectors of the economy” (Helmsing, 2001). It is multi-actor because success hinges on the “collective efforts of public (governmental), business (private) and non-governmental (NGOs Trade Unions, social, civic, religious) sectors” (World Bank, 2001). Finally, it is multi-level because globalisation, “both as a competitive threat and as a resource

opportunity, forces local initiatives to be framed by an analysis of global changes” (Helmsing, 2001).

The precise definition of the term LED is contested, however, and little agreement exists as to its meaning. For the World Bank (2001) the core objectives for LED are those of enhancing competitiveness and of sustainable economic growth. But, for other analysts, the essential focus should be upon addressing challenges of unemployment, poverty alleviation and the imperatives for evolving *pro-poor* LED interventions. For the World Bank (2001), “Doing local economic development means working directly to build up the economic competitiveness of a local area to improve its economic future. Prioritizing the local economy and increasing competitiveness is crucial, as the success of communities today depends on their adaptation to the fast changing and increasingly competitive market environment”. The essence of LED therefore is “about communities continually upgrading their investment climates to improve their competitiveness, retain jobs and improve incomes” (World Bank, 2002b). LED initiatives and responses can take a combination of many forms. The following issues are generally viewed as representative of the most important and frequent sets of interventions:

- Ensuring that the local investment climate is functional for local enterprises;
- Supporting small and medium sized enterprises;
- Encouraging new enterprises;
- Attracting inward investment;
- Investing in physical (hard) infrastructure by improving the built environment (roads, sewerage, airports) for businesses;
- Investing in soft infrastructure including human resource development, institutional support and regulatory issues;
- Supporting the growth of business clusters;
- Targeting particular geographical areas for regeneration or growth (i.e. area or spatial targeting); and
- Supporting survivalist, primarily informal sector enterprise.

## 1.2 Aims, Background and Challenges

The aim in this report is to examine the potential and prospects for Local Economic Development in the city of Livingstone, Zambia. The central theme that is argued is of **the need for a set of coordinated strategic interventions in order that Livingstone is enabled to ‘come out of the economic shadow’ that it currently experiences from the neighbouring city of Victoria Falls, Zimbabwe.**

This report on a Local Economic Development Strategy for Livingstone builds upon and extends in certain new directions a number of previous planning investigations that have been undertaken for the city. The first development plan for Livingstone, which was prepared as far back as 1972

in the early days of independence, is clearly now of only historical interest. Over twenty years later, a second Development Plan, the *Livingstone Development Plan 1995-2010*, was prepared during April-August 1995 by ASCO Consultants for the Zambian Ministry of Local Government and Housing (Republic of Zambia, 1996). During 2001 a synopsis of that 233 page document was undertaken by ASCO as a stimulus for further discussion on Livingstone's future development (ASCO, 2001). It was conceded that during the six year period that had elapsed since the preparation of the city's Master Development Plan for 1995-2010, several important changes had taken place and that therefore there was a need to update the planning for Livingstone as certain of the original proposals were no longer relevant in the wake of changes in priorities and new development challenges.

At one level, certain of the recommendations of the earlier reports have been overtaken by recent population growth that has taken place in Livingstone. Whereas the 1995 Development Plan is based upon population projections for 2010 of 133 000, the preliminary estimates released from the 2000 census suggest that the population of Livingstone is currently estimated as 158 149 with a total of 32 856 households. Equally important is that since the preparation of that reports, local planning for Livingstone has necessarily become linked firmly to wider issues of globalisation that have impacted upon Zambia as a whole. As a consequence of global restructuring, within Zambia there has been created the need for a shift from an essential focus on physical development to one that prioritizes the process of local economic development planning, which involves in the example of the Copperbelt, a search for new sources of economic growth and diversification.

In the case of Livingstone there are similar imperatives operating for economic diversification, expanding sources for local economic growth and of job creation more particularly as a result of the dramatic collapse of the city's manufacturing economic base. During the 1990s the city of Livingstone has been transformed - perhaps somewhat reluctantly - from what was fondly referred to in the 1970s and 1980s as the "Manchester City" because of its thriving clothing and textiles economy into Zambia's tourism capital. This rapid and radical transformation in the local economy has been accompanied by a mounting state of depression in the urban job market throughout the 1990s. It is estimated that as a consequence of the hollowing out of the city's traditional economic base in manufacturing that some 11 000 manufacturing jobs were lost. At one time in the 1990s manufacturing enterprises were closing at such an alarmingly rapid pace that companies could not even report redundancies to the local labour office as was required under the law. At the same time as the manufacturing economy of Livingstone was in a downward spiral, there has occurred the transformation of the local economy with the growth in dominance of the tourism sector. Although the tourism sector has shown undoubted signs of vibrancy and growth, it is clear that as yet the momentum of job creation in the tourism economy is insufficient to absorb the expansion of new job seekers in the city and especially of the youth. The local labour office estimates that currently 90 percent of Livingstone's potential labour force is either unemployed or working in low productivity and survivalist occupations, such as petty trade. The desperate situation of local unemployment was graphically demonstrated by the fact

that when the local police office recently advertised 17 vacancies for positions as police constables, over 300 candidates turned up for interview. The unemployment problem is most severe among Livingstone's youth, who comprise an estimated 70 percent of the core unemployed in the city. **Job creation, economic diversification and restoring economic vibrancy to the city are thus the core challenges that face local economic development of Livingstone.**

During 2002 the first significant steps were taken in Livingstone towards the launch of local economic development planning. At a strategic planning workshop held in Livingstone during 7-12 April 2002 key local stakeholders were brought together at a USAID funded workshop to develop a strategic plan or shared vision for the city's future. The preparation of such a shared vision represents the first step in formulating any LED strategy. The emphasis in the plan that emerged from that workshop was "to enable the City Council to affirm its current realities, including its gifts and assets as well as its difficulties and to overcome lingering inertia". Overall, it was argued that the outputs of the workshop seek "to maintain a balance between the ambitious desire for large projects that require external financing and immediate actions that may be realized through the mobilization of existing resources". It was further agreed that whilst "the latter may be modest, they are crucial to establishing a long-term and lasting foundation for significant change". As such the plan was intended not as a 'master plan' but rather to serve as 'a living document' that would need to be reviewed, refined and modified on a regular basis as the Council gains insights from a process of trial and error implementation. The shared vision that emerged from that workshop was that for the period 2002-2007 the City of Livingstone should seek "To improve the quality of life for all, economically, socially, and environmentally". More specifically, a mission statement was agreed for the Livingstone City Council that it was "to provide efficient services, create an enabling environment for economic growth with community participation in order to improve the quality of life for all".

## 2. SCOPE OF STUDY AND RESEARCH APPROACH

This project must contribute towards fulfilling the shared visions that emerged from the April 2002 stakeholder workshop. More specifically, the project seeks to prepare a local economic development strategy and environmental analysis that will serve as the basis for the reversal of recent decline in the city economy of Livingstone. This goal is to be achieved through the definition of a workable strategy, which includes short and longer-term action plans. The LED plan must seek to revitalize existing economic sectors and to establish new growth foci which exploit the city's actual and potential comparative advantages. At the stakeholder workshop of 2002 a number of sectors were identified, including agriculture, tourism, manufacturing, construction and small and medium business development, which were seen as offering the best potential for future economic development in Livingstone. The terms of reference for this investigation state that this study must analyse the potential and prioritise these sectors for realizing the city's economic future. In addition, the analysis must take into consideration the city's position and close relationships within Southern Province and of the corresponding opportunities and constraints that are imposed. Moreover, any local economic development strategy must situate Livingstone within the context of existing growth and potential opportunities at both the national and regional SADC levels of analysis. Finally, attention must be given to examining the ways and means of increasing the participation and progressive integration of groups of informal sector entrepreneurs and businesses in the city's future growth and development, more especially in relation to dealing with the question of poverty alleviation in the city.

The technical approach undertaken to achieve these goals involved three major sections of work and analysis:

- An assessment of the economic potential for opportunities and constraints in respect of Livingstone City and Southern Province with a specific concentration of attention on the tourism and hospitality sector;
- An analysis of the factors affecting local economic growth potential, especially of the role played by government; and,
- An understanding of the sources of revenue and current asset base of the city.

The research methodology that was pursued in this study involved a number of different elements of work which were undertaken at different levels of analysis.

- First, at **local** level, it involved over 60 focused interviews with key stakeholders in the Livingstone economy. Representatives were interviewed from across the Council, the Advisory Board, the private sector, NGOs, provincial representatives and a spectrum of business organizations. In total, over sixty interviews were conducted variously with members of the local authority, the Council, manufacturing, trading and tourism enterprises, agricultural enterprises and representatives of the small business economy. The focused



interviews were wide-ranging and concerned variously the role of the local authority in economic development; the strengths, weaknesses and opportunities of particular economic sectors, and potential strategic areas of intervention.

- Second, at **national** level, documents and material were collected from a number of government ministries (Tourism, Finance, Trade and Industry) and related organizations (National Tourism Board, Export Board, Zambia Investment Centre) that provided the national context within which to situate the prospects of the Livingstone economy. In addition, a set of additional interviews were conducted with representatives of the key ministries and other organizations involved in activities that were impacting currently or likely to be of major impact in future upon local economic development in Livingstone. These interviews were conducted with senior representatives of the Ministries of Tourism and Trade and Industry. Finally, a large amount of useful analytical material was sourced from the Zambia Trade and Investment Enhancement Project (ZAMTIE) which is based in Lusaka. The national interviews, collection and analysis of key national government economic development programmes and planning documentation focused on several issues. Of particular importance has been the examination of the terms, implementation and impact of the Zambian Government's Structural Adjustment and Public Sector Reform Programmes. In terms of national development planning the most important foci concerned an analysis of Zambia's Poverty Reduction Strategy Paper, the national Transitional National Development Plan and of plans for the implementation of export processing zones and of tax free zones.
- Finally, at the **regional** level, rich documentation was collected from a variety of sources on several critical issues that potentially impact upon the potential for development of several of the key sectors of Livingstone's economy. In terms of tourism development, information was obtained from the Development Bank of Southern Africa, which is the locus of the implementation and planning of the Regional Spatial Development Initiatives programme. Also, further analysis was undertaken of the investment and marketing strategies of major South African tourism investors, most importantly of Sun International. In terms of trade issues, information was sourced from interviews with and documentation from the Southern African Migration Project. Lastly, in terms of prospects for manufacturing, further information was secured concerning the African Growth and Opportunity Act (AGOA) from research studies conducted for the SADC Secretariat.

At the core of our methodology was the identification of an engine to drive the future economic growth of Livingstone. Based upon successful international experiences, it is clear that this growth engine would need to be characterized by three important features:

- strong growth potential in the market;
- long term competitive potential; and,
- function as the axis for a strong cluster of economic activities.

In our analysis of the various economic sectors represented in Livingstone's economy, the identification of a growth engine was undertaken by assessing the growth potential and competitive potential of each sector, then positioning each sector within a development matrix.

**Figure 1: The Development Matrix**

		<b>Competitive Potential</b>		
<b>Growth Performance</b>		HIGH	MEDIUM	LOW
	HIGH			
	MEDIUM			
	LOW			

Further details and application of this matrix are provided in Section 6.

### **3. THE MACRO-ECONOMIC CONTEXT**

Macro-economic policy addresses growth in real output, balance of payments, inflation and exchange rate. In addition, national government acknowledges that sustained economic growth will also include structural reforms to facilitate the creation of employment as well as poverty reduction. The present and future economic development of Livingstone is clearly inseparable from certain key developments taking place and shaping the national economic performance of Zambia. Issues of pro-growth and pro-poor interventions in the Livingstone economy are inextricably linked to the macro-economic context for growth and poverty alleviation. The key issues in the macro-economy of Zambia are set forth in debates surrounding the national Poverty Reduction Strategy Paper, the Transitional National Development Plan and in analytical work produced by ZAMTIE. These national development issues are reviewed in section three in order to provide the macro-economic context for growth and poverty alleviation within which the local situation in Livingstone can be contextualised.

#### **3.1 Macro-Economic Frameworks and Structural Adjustment**

During the early independence period, the Civil Society for Poverty Reduction (CSPR) (2001) argues, “Zambia enjoyed one of the highest per capita incomes in Africa, advanced infrastructure and untapped potential for food production”. Moreover, with an expanding manufacturing sector alongside a booming minerals economy, “Zambia’s economic status ranked it alongside South Korea as a potential economic ‘tiger’ through the last quarter of the 20<sup>th</sup> Century”.

The country’s strong mining economy deteriorated in the mid-1970s following a sharp decline in world copper prices which was compounded by the oil shock. It is argued in the Poverty Reduction Strategy Paper (PRSP) that Zambia’s failure to make positive policy changes in response to the declining economic environment further worsened the economic situation as foreign borrowing was expanded to minimise the decline in living standards (Zambia, 2002). The imperative for economic diversification in order to reduce dependency on minerals was recognised with import-substitution industrialization identified as the preferred strategy. Although this strategy encouraged firms to produce for the domestic market, it did little to build the requisite capacity to export. Accordingly, with little foreign exchange being earned amidst the entry during the 1990s of highly competitive consumer imports, the import-substitution industrialization strategy faltered with the consequence of mounting unemployment.

The PRSP asserts that the 1980s represented the first phase of the implementation of Structural Adjustment Programmes (SAP) in Zambia. The adoption of SAP involved a series of policy measures which were designed to achieve the objectives of, inter alia, the generation of economic growth driven by the private sector; macro-economic stabilisation; efficient resource management, including downsizing of the public sector and timely debt servicing; expanded direct foreign investment; and creating an enabling environment conducive for economic growth and development. Although a cocktail of measures was introduced, SAP was implemented piecemeal.

It failed fundamentally to alter the structure of the economy or to address sufficiently the challenges of poverty that became increasingly evident as the structural changes took hold. During the 1990s the pace of economic reform was accelerated with liberalisation as the mantra, which was envisaged to unleash the wealth creating capacity of the private sector. In addition to the removal of price controls, the withdrawal of subsidies and the facilitation of international capital flows, there occurred the march of privatisation. Those public enterprises that constituted a fiscal drain on state revenue were closed and/or privatised.

In parallel with economic liberalisation programmes, the Public Sector Reform Programme was planned to halve the number of civil servants and reduce the public sector establishment. The CSPR (2001) is highly critical that this programme “failed in its objectives, resulting in the reduction of staff numbers at the low income scale of government, while encountering severe resistance to rationalisation at the higher echelons of government. This programme for public sector reform endured over five years and occurred at a pace that prevented the early improvement of conditions of service for civil servants, pointing to the “paucity of political will in implementation”. Physical empowerment of civil servants did take place as government depleted the stocks of residential assets, transferring these to civil servants or to sitting tenants in the case of council-owned properties. One consequence was that the balance sheets of both national government and local authorities were depleted but without a corresponding increase in alternative assets, not least in the case of Livingstone (See Section 4).

Notwithstanding these changes linked to SAP and liberalisation, Zambia’s economy has shifted little in terms of its structure and consistent high economic growth has remained elusive. For the period 1980-1990 Zambia’s rate of national economic growth was the second lowest in the Southern African Development Community and for 1990-99 it slipped further to attain the least average growth rate in SADC at one percent, a level of economic expansion that was also below that of sub-Saharan Africa (2.4 percent) as a whole. It is not surprising therefore that per capita Gross National Product has declined for much of the period since independence. On most indicators of macro-economic performance Zambia performs below the average for developing countries, for African countries and SADC countries with the only exception of those countries that are engaged in armed conflict or enduring natural disasters. Accordingly, the CSPR (2001) argues that over the past generation “Zambia’s people have endured a precipitous decline in living standards, ranging from falling per capita incomes, contracting employment opportunities, deteriorating health and education facilities, rising crime, and the combination of a resurgence of poverty-related illnesses coupled with the onset of HIV and AIDS”. Overall, it is argued that Zambia has experienced “an economic contraction that has coincided with a rapid growth in population and the accumulation of an unserviceable external and internal, debt burden”. Most striking of all is the fact that the overwhelming majority of Zambians, estimated at 73 percent by the CSPR (2001), live in poverty and further face few prospects for an amelioration of their plight.

### 3.2. The Poverty Profile

A series of recent national surveys are drawn upon within the PRSP (2002) to paint a detailed picture of the state and profile of poverty in contemporary Zambia. The overriding theme is that during the 1990s decade poverty levels have increased as indexed by most of its critical dimensions. Among the key findings are those:

- Between 1991-98 there occurred an increase in overall poverty and only a marginal decline in levels of extreme poverty;
- In rural areas there is a notable decline in both overall and extreme poverty but in urban areas, such as Livingstone, there are recorded a notable increase in levels of poverty;
- Although disparities remain between urban and rural areas with overall and extreme poverty levels worst in rural areas, the disparity narrows between 1991-98 because of the fact that the growth in urban poverty exceeds the reduction in levels of rural poverty;
- Between 1996-98 a marked deterioration in urban poverty is recorded with estimates of a 10 percent increase of poverty in urban areas;
- Using non-income indicators of poverty (such as health, education indicators) it is recorded that poverty levels have risen “in terms of practically all major non-income dimensions”;
- Certain sections of the Zambian population are more vulnerable to poverty than others;
- The incidence of poverty varies directly with household size such that in households with 10 persons or more, it reaches 84 percent poor;
- Female-headed households are poorer than male-headed households;
- Women are generally more vulnerable to poverty than men; for example only 12 percent of formal employment accrued to women as compared to 88 percent for men;
- Child poverty is a conspicuous and growing phenomenon and is manifest in larger numbers of orphans, street children, working children and children headed households; and
- Regional differences in poverty levels occur: whereas Lusaka Province records 52 percent in overall poverty and only 34 percent in extreme poverty, in Southern Province 76 percent are recorded as living in overall poverty and 60 percent in extreme poverty. In terms of the national distribution of the poor in 1998 Southern Province accounted for 13 percent of the total.

The major barriers identified to moving out of poverty are viewed as follows:

- The lack of sustained levels of positive economic growth;
- Many formal sector jobs have been lost during SAP. Formal sector employment went down from 12 to 11 percent between 1996-1999. Although recorded levels of unemployment also came down from 18.2 percent to 9.5 percent suggesting an increase in informal sector employment, this has been accompanied by increased levels of poverty. Average wage levels from informal sector employment are insufficient to adequately meet livelihood needs;
- The high levels of inequality, particularly as reflected in access to credit;
- The debt burden of the country reduces social expenditures;

- Zambia has been excessively dependent on external donor aid assistance;
- The provision of social safety nets has been limited; and
- Human capital formation has been impacted negatively by the scourge of HIV/AIDS with the PRSP estimating 20 percent levels of infection.

### **3.3. Causal Factors and Remedial Measures.**

The CSPR (2001) report identifies several causal factors as underpinning Zambia's economic and social malaise.

- Economic mismanagement – inflationary deficit financing, unprioritised expenditure, implementation and co-ordination weaknesses;
- External shocks – fuel price rises, escalation of foreign debts, the economic costs of supporting liberation movements, declining terms of trade;
- Policy somersaults – an inconsistent policy environment and conflicting positions within the administration, leading to an uneven investment climate which is characterized by discretionary concessions awarded on the basis of lobbying capability; and
- Low private and public investment in infrastructure, enterprises, public and social services.

The full details of the proposed remedial measures are provided in the PRSP and in the Transitional National Development Plan (Zambia, 2002). Importantly, among the key themes are implementation of an economic rescue package that applies “economics with a human face” and the renewed importance of promoting economic diversification.

A recent ZAMTIE investigation on the causes of poverty in Zambia and requirements for its reduction argued that from the perspective of poor Zambian households, their poverty or low real income was due to two overriding factors (1) inadequate education, health and other social services, and (2) insufficient productive employment opportunities (Callison, 2001). The starting point for the analysis is thus that sustained poverty reduction requires better health, education and other social services sustained by domestic resources and more productive employment opportunities. The ZAMTIE analysis argues that the promotion of higher levels of economic growth is essential for major improvements in health, education and other social services. Moreover, the creation of more productive employment opportunities requires “economic growth of a certain pattern”, in particular of labour-intensive activities with growing market potential. The ZAMTIE study argues unequivocally that: “An export-oriented policy framework is the only way to achieve broadly based employment-oriented economic growth that can be sustained at high levels for a long period of time” and adds “No other path has proven successful” (Callison, 2001). This new tilt towards export-orientation is reflected in many elements of the Transitional National Development Plan which aims “to reverse Zambia's socio-economic decline and stimulate pro-poor economic growth thereby creating employment and reducing poverty” (Zambia, 2002).

In terms of economic diversification, seven major themes have been pursued for several decades with little success:

- Sector diversification – in terms of reducing the national dominance of the copper mining sector;
- Export diversification – implying the promotion of a variety of ‘non-traditional exports’;
- Resource use diversification – requiring use of local raw materials in the production of goods;
- Technological diversification – implies a movement away from capital intensive technologies to the use of more appropriate and labour-intensive technologies;
- Scale diversification – in terms of reducing the dominance of large-scale production and correspondingly of enhancing the significance of small and medium enterprises in the economy;
- Structural diversification – in terms of strengthening the production structure by promoting activities with high degrees of internal backward and forward linkages; and
- Regional diversification – requiring tapping the comparative geographical advantages with the goal of promoting balanced spatial patterns of growth and development (CSPR, 2002).

With the current crisis in the mining sector precipitated by the pull-out of Anglo-American, the major private shareholder in the largest mining company, considerable economic uncertainty once more has been generated. The Transitional National Development Plan argues that “it is now imperative that economic diversification must quickly succeed if Zambia is to avoid getting deeper into economic adversity, generally, and worsening poverty, in particular”. The potential economic and social ramifications of the decline of mining have produced in 2002 a renewed national focus on questions concerning economic diversification. The major conclusions of a workshop held in June 2002 on “Deepening Economic Diversification in Zambia” were the following recommendations:

- The establishment of a diversification agency focused on the Copperbelt;
- Focus on value-adding production of goods and services;
- Concentration on sectors with high growth potential in the short and medium term;
- Optimizing Zambia’s participation in and benefits from the global market and both regional and international trade agreements;
- A cluster approach to sector/sub-sector development;
- Decentralized implementation of economic diversification; and
- Selective implementation of export processing zones and tax free zones.

Overall, Zambia’s declining economic fortunes and the changing national macro-economic framework of the PRSP and of the Transitional National Development Plan, which is geared towards promoting sustained economic growth, employment creation and poverty reduction, sets the context for our detailed analysis of Livingstone’s development issues.

## **4. COUNCIL ASSET AND REVENUE ANALYSIS**

In this section, an analysis is undertaken of the current asset base and sources of revenue of the City of Livingstone. A general situation analysis is followed by an examination of core revenue sources and of council assets.

### **4.1 Situation Analysis**

An understanding of the existing unfavourable situation of the Livingstone City Council (LCC) must begin with an analysis of the national changes that have impacted upon the city's overall financial condition. In 1991, Zambia saw the re-introduction of multi-party politics with the new Movement for Multiparty Democracy winning the elections. Shortly thereafter, the government introduced sweeping reforms of liberalisation, decentralisation, privatisation and commercialisation. Among these reforms, government decided that it would reduce its funding to local authorities, and give them devolving powers to help them manage their finances and become self sufficient. To date, for the calendar year 2002, the only funding that Livingstone City Council (LCC) has received from central government through the Ministry of Local Government and Housing is a 45 percent salary increment that was awarded to staff in the run up to the nation's tripartite elections held in 2001.

Amidst this enforced course of self-sufficiency, the LCC has also:

- disinvested, to Southern Water, the responsibility for the provision of water, under the Urban and Rural Water Restructuring Program;
- lost the responsibility of licensing of vehicles (following a national policy change by government) to the Road Traffic Commission; and
- sold their stock of council houses under a national political directive.

Taken together these activities have precipitated to the loss of the major traditional revenue streams, and have affected all the local authorities nationwide.

In the last few years, a great deal of development and capacity building work has been undertaken at the LCC by Grant Thornton (GT) under the Urban Local Government Capacity Strengthening Project (ULGCSP) and the Livingstone City Council Seed Project – Capacity Building and Implementation Support [CBIS]. As a result of these initiatives, improvements have been seen in many areas, for example, in the area of property rates, where a flat rate broad based Property Tax By Law (PTBL) was drafted and passed for approval.

Despite these improvements, the LCC has been plagued with liquidity problems, evidenced by the fact that:



- as at October 2002, salaries for non-unionised workers had not been paid since March 2002 and for unionised workers since May 2002; and
- retrenchment packages for employees retrenched as far back as 1999 had not been paid.

Given this unfavourable state of affairs, the LCC is currently unable to meet its service provision responsibilities to the City of Livingstone; roads are not maintained, refuse is not collected, and other services are not fulfilled.

The ULGCSP has proposed that the Council reduce its current staff complement of 452, a reduction of 50 percent. The cost of this retrenchment has been estimated at approximately K2,694,970,851. An optimal organisational structure also has been proposed in this report. Although the LCC began to retrench staff several years ago, some retrenched employees have not yet been paid their dues. It is hoped that the World Bank will help to finance the payment of retrenchment packages as the Council is not likely to be in a position to meet this obligation.

In terms of support information systems, the LCC has very poor management information systems and has a manual accounting system. GT installed and helped the council to start to operate an accounting package called pastel. GT had seconded their staff to LCC for one year to train LCC staff to operate this system. In total, two Council members were trained under this project, but these two staff members have now left the Council to pursue further studies. Therefore, the Pastel system is not operating smoothly, and reliance has reverted back to the manual system.

## 4.2 Revenue

The sources of revenue are shown in Appendix A for the last 3 years. A summary of the major sources defined by revenue as a percentage of the budget and as a percentage of collections in that year is shown in Table 1 below:

**Table 1: Major Sources of Revenue**

Source	2002		2001		2000		1999	
	% Total Budget	% Total Collection	% Total Budget	% Total Collections	% Total Budget	% Total Collections	%Total Budget	% Total Collections
<b>Rates</b>	45.21	53.8	52.93	31.85	34.44	46.99	34.91	45.26
<b>Other income</b>	31.29	16.5	33.4	28.46	45.36	27.52	18.2	16.24
<b>Grants - Water Company</b>	12.98	0	0	0	0.89	0.06	1.92	1.35
<b>National Support</b>	0.73	19.9	0.97	32.29	0.67	7.42	0.47	0

*\*Source: LCC year end accounts*

It is clear from the Table that rates are the overwhelmingly single largest revenue earner for

LCC. Moreover, the reliance of LCC upon rates as the core revenue source has heightened from 1999-2002.

#### 4.2.1. Rates

Charges for rates in Zambia are governed by the Rating Act and the Ministry of Local Government and Housing Act. A property is required to be valued by professional valuers and placed on a valuation roll in the Council, and rates are then charged on the basis of this valuation. Current charges, which accrue in July and December, are:

Residential property	-	1.5% of valuation per half year
Commercial property	-	2.5% of valuation per half year

The last valuation roll in Livingstone was compiled in 1995. This valuation roll has not been adequate to capture the large numbers of properties that have fallen into private hands either as personal homes or commercial ventures such as tourist lodges. This increase in private ownership has been stimulated by the sale of council houses, government houses, and the growth in the tourism industry of Livingstone during the last few years. To deal with this problem and to increase LCC's revenue, GT through the ULGCSP and CBIS, helped 10 Local Authorities (including LCC) to introduce a flat rate, broad based, Property Tax By Law (PTBL) to comply with the legal requirements of the Local Government Act 1991. The levels of the PTBL were customised for LCC. According to GT ULGCSP report dated February 2002, and CBIS report dated February 2002, this PTBL was signed by the LCC Mayor and Town Clerk, and received Ministerial assent in 2001. It is thus law and it enables the LCC to charge all owners of rateable property that is not included or shown in the Valuation Roll a flat rate property tax based on the property's gross external area in square meters. Nevertheless, the LCC informed us that the Minister had not approved the PTBL and that whilst they had billed many properties not captured in the valuation roll, they were unable to enforce payment of their charges until ministerial assent had been given. In addition, the interviews disclosed that there is a lot of interference both from Councilors and politicians when the LCC attempts to take action against defaulters.

#### **Appropriateness of rates**

The PTBL was introduced as an interim measure until the LCC could raise the money to carry out a valuation exercise. LCC estimated that such an exercise if conducted by government would cost K50m – K70m. As an interim measure, it must be acknowledged that we find this PTBL is appropriate and better than nothing. **The key issue that LCC needs to focus on is the exercise of updating the valuation roll, so that the charges can revert to those incorporated in the Ratings Act.** The legal validity of this interim measure depends on whether the By Law is in force. Elias Chipimo, a partner in a law firm called Corpus Globe confirmed that this By Law (after receiving ministerial assent) needs to have been gazetted in order for it to be enforceable.

The lack of knowledge by LCC of whether the PTBL is enforceable is a serious weakness in administration, and may be due to the presence of new leadership at the council which was not in place at the time that the by law was passed.

LCC has been able to increase their revenue base significantly from those owners of property that have agreed to comply with the PTBL, whether it is law or not. For example, the Sun Hotels group is paying K350m per half year to the Council due to this. This payment is a major boost to council revenues. Regrettably, however, LCC was unable to provide information on how much in total they have billed and collected under the PTBL.

For existing properties that are already on the valuation roll, the actual rates charged are as shown above under “Rates”. These rates are governed by law and apply to all rates charged in Zambia. We consider the charge to be appropriate, although customers have complained that the charges are high. Nevertheless, the value of the properties on the roll is very low given when the valuations were last done (1995). **Updating the valuation roll will therefore increase the value of properties last valued in 1995 and the rates charged on those properties.**

### **Mechanism of revenue collection**

Reliance for billing is based on the manual accounting records. Ledger cards are maintained for each property and these are updated for each billing and receipt. Invoices are raised in June and December for delivery in the following months. These invoices are delivered by Council staff mainly on foot, or where a vehicle is available, by car. Such a collection procedure is inadequate due to the following reasons:

- Ledger cards can easily be misplaced, lost, or tampered with, and do not provide a credible background on which to base the rates billing;
- Manual receipting is also a very weak form of control. In October 2002, cashiers at LCC claimed they had been searched by LCC to determine whether they had stolen any money. These searches were claimed to be intimate and violated their privacy. Physical searches are not a solution to the weak system in place; and
- Debtors are currently over K1bn, suggesting that aggressive debtor management is required.

### *Summary of weaknesses in system*

- Valuation roll has not been updated since 1995 to capture new properties in private hands, and to update the value of existing properties on the ledger. This exercise is likely to increase billing by 100% as property values have increased by over 100% in the last 5 years in Zambia;
- Lack of knowledge of legality and enforceability of PTBL;
- Interference from Councilors and politicians in operations;
- Information systems for maintaining records inadequate; and
- Weak Controls to minimise potential for fraud and interference.

### 4.2.2. National Support

This refers to income received from Central Government or any donor funding that the Council might receive. In 2002, this amount represented amounts paid by government to fund the 45 percent increase in the salary of staff that was awarded last year. The balance of the funds represents funds from donors under the highly indebted poor countries funds. We have not provided any analysis under this item as government no longer provides funding to the LCC except in special circumstances. The same position applies to donors.

### 4.2.3. Other income

It is difficult to provide an analysis of this amount because it is made up of various sources of income, and includes any windfalls that the Council may receive. It generally includes the engineering department's fees and the legal department's fees for transfer of houses, title deeds, demarcation of land etc. As such, this income code holds a large amount of money relating to legal fees associated with the sale of council houses. LCC expects this component of other income to reduce significantly in the future.

### 4.2.4. Grants – Water Company

Since the commercialisation of the Southern Water and Sewage Company (SWSC) (where LCC is a shareholder), the Council has not received any income from this Investment. Southern Water says this is because they have been re-investing all surplus income back into the business to improve the infrastructure of the company. SWSC is discussed in more detail in the section below called Investments.

#### 4.2.5 Personal levy

This is a steady revenue earner. The rate charged is set by the government in the Personal Levy Act, and the amount currently charged, is a maximum of K15,000 per person per half year.

##### *Appropriateness of rate*

The LCC and other Councils in Zambia consider the current charge low. The Government is in the process of changing the law to increase this charge by 100%.

##### *Mechanism of revenue collection*

Demand notices and forms are sent to employers every year to fill in the number of employees they have, and to remit payment when they return the form. Recovery rate of personal levy is very good, with over 90% of budget collected every year. Based on this, we conclude that the mechanism for the collection of this revenue is appropriate.

##### *Summary of weakness in the system*

The Personal Levy charge is outdated and needs to be updated frequently given the fast pace at which the local currency depreciates.

#### 4.2.6 Rentals

Because of the government's directive to dispose of Council properties to sitting tenants, this source of revenue has declined significantly. The closing date for payment of council houses purchased by sitting tenants was 31 August 2002. The Council is awaiting a ministerial directive on the way forward for those that have not been able to complete their payment. The only rental income that the LCC can hope to earn in the future will be from their commercial properties, most of which are used as drinking houses or community centres. The LCC owns some prime commercial property in Livingstone town, including the premises rented by Southern Water and Sewage Company and the Zambia National Tourist Board. Regrettably, the condition of these properties is very poor, as the Council has not maintained them.

##### *Appropriateness of rental charges*

The Council, upon recommendation from administrative staff, decides the rentals charged. It has always been felt that these rentals have been undervalued, and that some administration staff and Councilors have vested interests in ensuring that this is the case. The Councils ought to consider outsourcing this function to an Estate Agent who will be free of conflict and able to get the best rental for the Council.

### *Mechanism of revenue collection*

Rental invoices and statements are sent out to tenants by the Council. The default rate is very high, as evidenced by the fact that over the last 4 years, less than 50% of the budgeted amount was collected, and in some years, as little as 20% of budget was collected (see Appendix 1 ). The budgeted amount represents LCC's estimate for total rental charges for the year. The council does not take stern action against those that are in rental arrears.

### *Summary of weaknesses in the system*

- Poor maintenance of structure and interior of properties;
- Limited action taken against tenants in rental arrears; and
- Poor record keeping on manual system.

### 4.2.7. Best Practice

In the area of revenue collections, it was decided to benchmark the performance of LCC against that of the Lusaka City Council which recently has made great strides in the collection of rates. In 2001, Lusaka City Council outsourced the function for collection of rates to a local firm of consultants called Paragon Consulting Limited (PC). Under this contract, PC was to fully computerise the rates revenue collection function by acquiring the computers, the software, and transferring the data onto the system. They were also responsible for the collection of the rates for that year, and charged a fee of 12.5% of the revenue collected. Paragon was also able to negotiate the payment to Lusaka City Council of outstanding debts that were long overdue.

The Director of Finance at the Lusaka City Council, Ms Bridget Muyenga, says the contract worked well, but due to political interference it was terminated because politicians felt that the rate negotiated as compensation to the Consultants was too high. She felt that it was particularly successful on the non-financial issues such as computerisation, improvement of controls, billing, and capacity building. The Council staff has been able to continue to operate this system after the Consultants left. The Lusaka City Council also uses the Sheriff's office for collection of rates from non-performing customers.

Following the success of the rates outsourcing project, the Lusaka City Council decided to set up a management consultancy section, which they staffed with appropriately skilled council staff. This unit is responsible for general revenue collection and administration. Revenues included in the ambit are charges from billboards, personal levy etc. This unit is self-financing, and is delivering results due to its focussed approach. The lessons to be learned from Lusaka's approach to revenue collection are reflected in the recommendations (Section 7).

### **4.3. Existing Council Assets**

The LCC's assets are divided into 2 categories: real estate and investments. Each of these is discussed below.

#### **4.3.1. Real Estate**

A list of Council properties as per the 1995 valuation roll is attached as Appendix B. This schedule was obtained from the ULGCSP report. We visited a sample of the properties including:

1. Victoria Hall - This is a commercial building situated in the heart of the town, and comprises a large hall and stage, a restaurant area, a bar area, and office accommodation. It is currently used for church services, but can be used for weddings concerts etc. This property has not been maintained and clearly needed a lot of structural improvements. It is of limited economic use in its current state, and it generates a very mediocre revenue.
2. Taverns - We visited over 5 properties that are being let out as drinking places. The condition of their structures and interior was also very poor and clearly required maintenance.
3. Office buildings – Again these were similar to the other assets visited, and evidently required maintenance.

#### **4.3.2. Investments**

The Council has only one investment, its shareholding in Southern Water and Sewage Company. Southern Water's shareholders are the 11 local authorities in Southern Province, with LCC owning 50% of the shares. Southern Water (SW) took over the responsibility of providing water in the Southern province, and began to deliver services in Livingstone in April 2000.

Southern Water has various measures upon which its performance can be assessed; the main ones are the collection rate, the rate of leakages, and the seamless delivery of water to every household. No performance assessment has been made yet but SW confirms that leakages have reduced and collections increased.

Overall, this investment has not generated any revenue for the LCC since it began. SW argues that this is because they are currently re-investing any surplus resources they have into the business in order to improve the infrastructure. They inherited a very old water system, which has a high level of leakages. SW is unable, even when it re-invests all its surplus money into the

business, to meet the capital requirements of the business. The German aid agency, GTZ, has pledged to provide it with funding in order to undertake major improvements.



## **5. A SECTORAL ASSESSMENT OF ECONOMIC DEVELOPMENT IN LIVINGSTONE**

In this section an economic assessment is undertaken of the current situation, strengths and weaknesses of the major sectors of Livingstone's economy. The analysis of each major sector proceeds sequentially from a situation analysis of the national picture to presentation of a detailed profile of the sector in Livingstone. The rationale for proceeding from national to local level of analysis is that many of the issues and objectives that affect sectors at the national level are clearly also of relevance at locality level. Moreover, in terms of local economic strategy formulation, it is important to harmonise strategic proposals and objectives or, at the very least, not be in direct conflict with the directions being taken at national level.

The sectoral analyses presented in this section are uneven in length. The greatest attention is given inevitably to those major economic sectors which are identified as most significant for driving the national economy, namely agriculture, manufacturing, and tourism. In particular, given the dominance of tourism in the economy of Livingstone, the most extended analysis, including of environmental issues, is provided for that particular sector.

Following the analysis of these key economic drivers a shorter analysis is then pursued for the other secondary sectors of trade and construction. Finally, the focus turns to an examination of the specific issues around the informal sector and small business development in Livingstone.

At the outset it must be noted that an important problem for local economic development planning in Livingstone is the weakness of available local economic data in Zambia. Accordingly, throughout the discussions below, as no economic data is available which is specific to Livingstone, much of the material is drawn for this analysis from the interview sources as supplemented by other documentary material which pertains to the national level.

### **5.1. Agriculture**

Below we discuss the state of Zambia's agriculture sector in general, the performance of the agricultural sector in the Livingstone and Kazungula Districts over the last ten years and the prospects for growth for the next decade.

#### **5.1.1. National Level**

The national poverty reduction strategy paper identifies agriculture as a core sector and argues that it "has the potential to enhance economic growth and reduce poverty". Overall, Zambia is endowed with natural resources that are necessary for agricultural development. The country has a land mass area of approximately 752,000 square kilometers of which 12 percent is arable land. Unfortunately only about 14 percent of the arable land is presently cultivated. In addition, Zambia has a good climate, abundant land, labour and water resources.

The country has three agro-ecological regions, these are, Region 1, valley areas with low rainfall of less than 800mm annually, Region 2, the central and eastern plateau areas with moderate rainfall of between 800 and 1200mm annually and Region 3, which covers the northern areas with annual rainfall above 1200mm. Each region has defined characteristics and is suited for the production of a variety of crops, livestock, and fish enterprises.

In Zambia land tenure is categorized into two main systems: customary and leasehold, the customary land tenure constitutes about 94 percent of the total land in Zambia. The customary land tenure system is controlled and allocated by traditional authorities and no title deeds are issued. The leasehold tenure constitutes about 6 percent of the total landmass; under this tenure title deeds for a renewable period of 99 years are issued.

Over the last decade real growth rate in the agriculture sector has fluctuated significantly among the reasons cited for these fluctuations are:

- The sector's high dependence on seasonal rainfall; and
- Low investments.

The performance of the agriculture sector has been constrained mainly by the following factors:

- High interest rates and high inflation;
- High production costs arising from the high prices of inputs (energy and fertilizer);
- Decreasing purchasing power;
- Volatile exchange rates;
- Limited credit facilities; and
- Unfair trade practices with the country's regional neighbors.

#### 5.1.2 Livingstone and Kazungula Districts

The Livingstone Municipality land area is 1,427 square kilometers. For the purpose of agriculture the Livingstone district area includes part of Kazungula district, previously Kalomo South an area measuring 15,873 square kilometers. This gives a combined area of 17,300 square kilometers under the Livingstone agriculture office. About 14,000 square kilometers is arable land. The Livingstone area has three ecological zones; plateau to the North, Zambezi escarpment to the East and Semi arid to the West.

The combined Livingstone area lies between 1,000 to 1,300 meters above sea level. Generally the soils in the combined area of Livingstone have low water holding capacity, shallow rooting depth and are susceptible to rapid physical deterioration and erosion.

Livingstone is a low rainfall area with annual rainfall of between 600 and 800 mm. The area has an established pattern of drought of one in every three years. As can be seen from Table 2 during the 2001/02 season Livingstone received just over 50 percent of the normal rainfall.

**Table 2: Rainfall over the last four seasons**

Month	Normal Rainfall (mm)	1998/99 (mm)	1999/00 (mm)	2000/01 (mm)	2001/02 (mm)
October	25.1	-	-	34	12.8
November	86.6	126.7	23	68	63.6
December	196.8	187.9	77	122	147.5
January	186	199.1	138	28.4	61
February	178.5	55.6	313	287.2	70.9
March	80.7	53.4	84	146.3	9.9
Totals	749.7	622.7	635	685.9	386.3

*Source: District Agriculture Office - Livingstone*

## **Agricultural Activities**

There are 47 commercial farms in the Livingstone – Zimba area (see Appendix C), these farms are situated near the Livingstone City with average distance of 22 Kilometers from the City centre. Most (64%) of these farms are mixed farms running crop and livestock enterprises. There are also 44,253 small scale farmer households. The smallholder households cultivate about 36,702 hectares, thus on average each smallholder household cultivates about 0.8 hectares (less than one hectare). A range of crops are grown these include; Sorghum, Millet, Maize, Cotton, Tobacco, Soya beans, Cowpeas, Sunflower, Groundnuts and Wheat.

Common vegetables grown are; Rape, Cabbage, Tomatoes, Onion, Okra and Shallots. There are also farmers growing fruits, these include; Mangoes, Oranges, Guavas and Pawpaw.

Livestock include cattle, sheep, goats and poultry.

In addition, it is significant that an estimated 50 percent of the Livingstone City households are engaged in urban agriculture, mainly poultry and vegetable production, for purposes of self-provisioning and some sale of goods...

In spite of the above agricultural activities, the Livingstone district is a food deficit area in both crops and vegetables. The deficit is largely due to low yields for most rain fed crops. For example, for the small scale farmers the average yield for maize is as low as 720 kgs per hectare. The low yields are mainly due to:

- Low rainfall
- Low fertility in the sandy soils prevalent in most parts of the district
- Poor choice or non-availability of suitable crop varieties
- Low fertilizer usage

- Lack of alternative soil improvement program ( i.e. green mature, insufficient kraal manure or crop rotation)
- Inadequate extension service.

## Crop Production

Table 3 below shows the production of major crops in the Livingstone district; below we discuss the production trends per crop. Figure 2 shows the trends in crop production. As can be seen from Figure 3, in 1999/2000 agricultural season there was a sharp increase in the hecterage under cultivation for all the five crops. After the 1999/2000 season, only maize has maintained almost the same level of hecterage under cultivation. The other crops have recorded significant declines but the levels have remained above the 1998/1999 season.

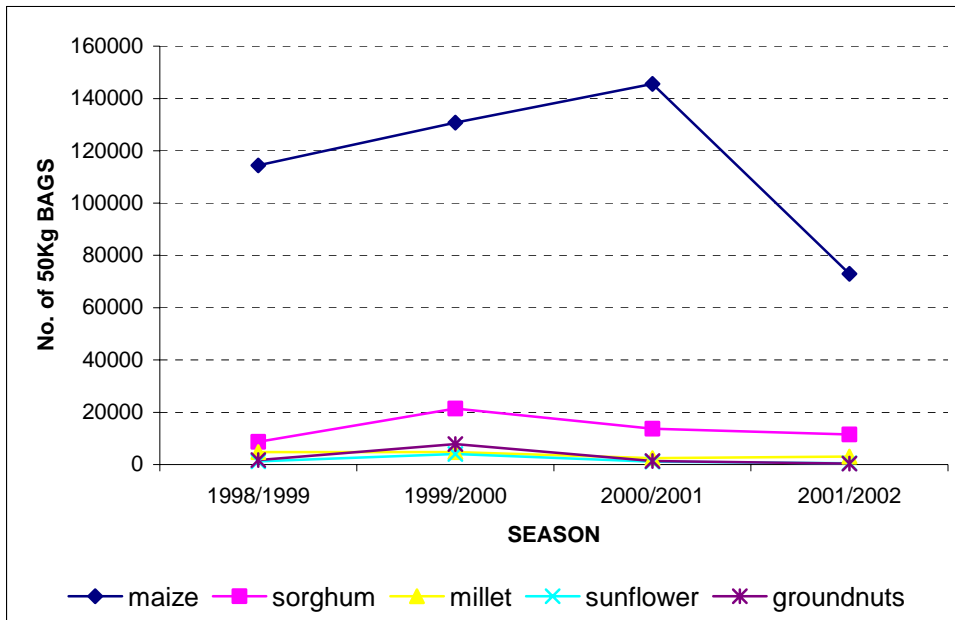
Four of the five crops recorded an increase in production in the 1999/2000 season, while millet remained at the 1998/99 level (Figure 2). In the 2000/2001 season only maize recorded an increase in production, the other four crops recorded declines. In the 2001/2002 season maize recorded a sharp decline as a result of a drought. The other crops remained almost at the same level mainly because these other crops are relatively drought tolerant.

**Table 3: Production of Major Crops**

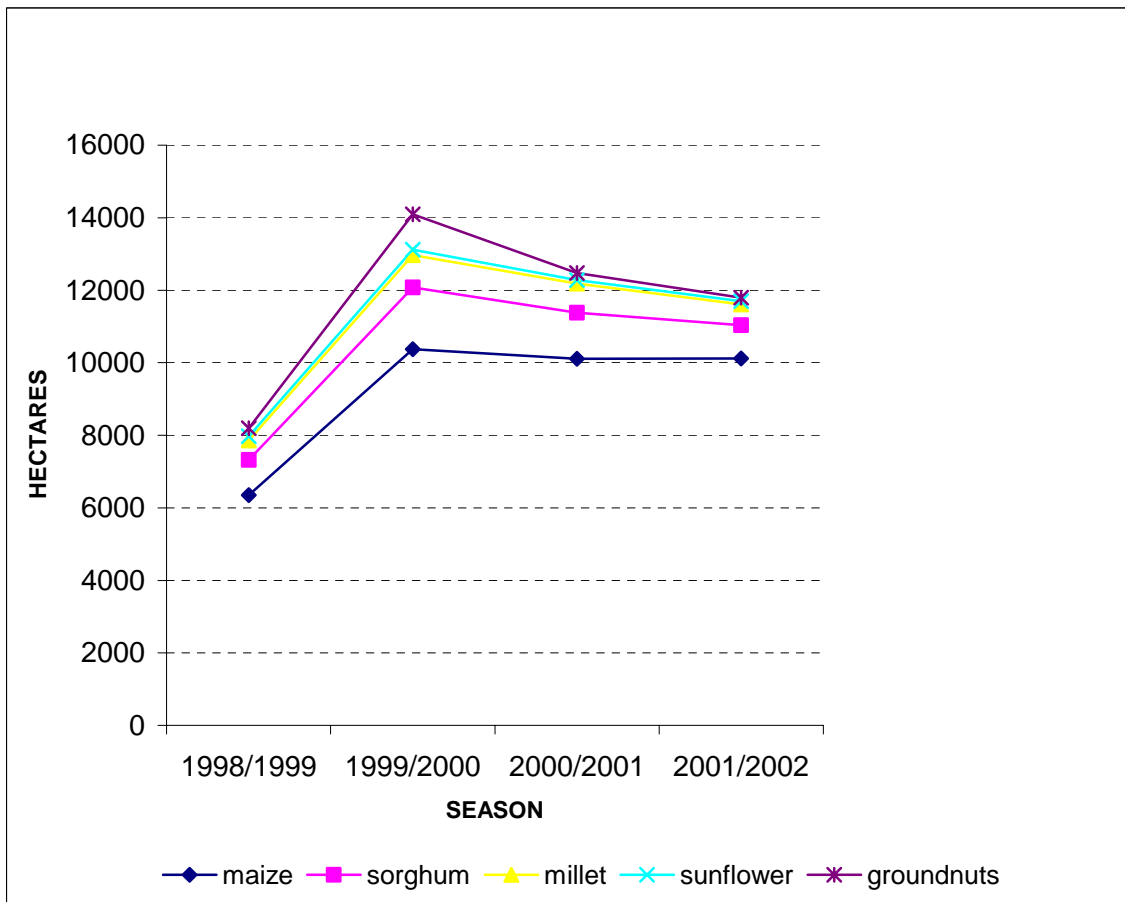
CROP	1998/1999		1999/2000		2000/2001		2001/2002	
	Ha	Bags	Ha	Bags	Ha	Bags	Ha	Bags
Maize	6,354	114,372	10,376	130,738	10,107	145,541	10,120	72,864
Sorghum	970	8,730	1,698	21,395	1,272	13,738	917	11,554
Millet	535	4,815	894	4,828	798	2,394	570	3,078
Sunflower	115	1,242	152	4,000	101	1,100	92	497
Groundnuts	217	1,736	973	7,784	192	1,344	98	392

*Source: District Agricultural Office*

**Figure 2: Production Trend Analysis**



**Figure 3: Hectarage Planted Trend Analysis**



## Livestock Production

Livestock population in the Southern Province has continued to decline since 1990 (see Table 4). Cattle decreased by 46.3 percent, sheep by 49.6 percent, goats by 46.5 percent and pigs by 47 percent between 1996 to 1999 due to animal diseases which included corridor, east coast fever and foot and mouth. Dairy production is mainly by commercial farmers and few small-scale farmers along the line of the rail.

**Table 4: Southern Province Livestock Population, 1996-1999**

Year	Bulls	Cows & Heifers	Oxen & Tollies	Calves	Total Cattle	Sheep	Goats	Pigs
1996	56,512	654,208	476,324	300,244	1,487,299	51,216	622,120	168,739
1997	27,140	326,104	237,843	149,610	742,697	26,106	311,313	84,446
1998	27,372	326,104	238,482	150,644	744,602	24,110	310,807	84,291
1999	31,905	319,054	199,409	183,456	797,636	24,798	332,563	88,506

*Source MAC 2000 Agricultural Bulletin of Statistics*

Data for the Livingstone district is not available but the trend was reported to have been similar to the provincial trend. The provincial distribution of livestock by type is shown in Table 5, as can be seen cattle is the dominant livestock.

**Table 5: Percent Distribution of Livestock by type, 1998**

	Percent distribution of Cattle	Number of Cattle	Percent distribution of Goats	Number of Goats	Percent distribution of Pigs	Number of Pigs	Percent distribution of Sheep	Number of Sheep
All Zambia	100	1,976,000	100	1,430,000	100	762,000	100	111,000
Southern	31	605,000	21	300,000	15	117,000	9	10,000

*Source: Living Conditions in Zambia - 1998*

Poultry is widely owned by households in the Southern Province as can be seen from Table 6 below.

**Table 6: Proportion of Poultry-owning Households, 1998**

	Percent households owning Chickens	Number households owning Chickens	Percent households owning Ducks/ Geese	Number households owning Ducks/ Geese	Percent households owning Guinea Fowls	Number households owning Guineas Fowls	Percent households owning other Poultry	Number households owning other Poultry
All Zambia	97	854,000	10	91,000	5	46,000	5	48,000
Southern	97	107,000	14	15,000	11	13,000	10	11,000

*Source: Living Conditions in Zambia - 1998*

## **Agro-Forestry**

In the Livingstone district deforestation is considered moderate except for areas around the municipality. The main causes of deforestation in Livingstone are farming activities, charcoal burning and firewood collection.

The Ministry of Agriculture working jointly with the Ministry of Environment and Natural Resources are implementing an agro – forestry project to mitigate the effects of deforestation in the district.

## **Constraints**

Apart from the weather and soil fertility related constraints against increased agricultural production in Livingstone there are other constraints such as;

- High electricity tariffs and frequent power supply interruptions;
- High fuel (diesel) cost;
- Prohibitive lending interest rates;
- High cost of farming equipment;
- Poor border controls;
- Limited Livingstone market;
- Lack of extension services;
- Poor producer prices; and
- Livestock Diseases

Each of these constraints on the development of the agricultural economy in Livingstone and its surrounds is examined in greater detail below:

### **\* High electricity tariffs and frequent power supply interruptions**

Zambia Electricity Supply Corporation tariffs are said to be the highest in the SADC region. This has negatively impacted on the operations of commercial farms in the Livingstone district. A recent survey by the District Agricultural Office identified high cost of electricity as a major constraint against increased farm production. This high cost of electricity has made Zambian farm produce not competitive on both domestic and international markets. Apart from the high cost there are also frequent power supply interruptions which negatively affect poultry farmers and farmers growing crops under irrigation.

**\* High diesel cost**

The current pump price in Livingstone is K3, 300 per liter of which 60 percent (K1, 980) is made of six assorted charges which is mainly Government taxes.<sup>1</sup> A recent survey by the District Agricultural Office revealed that the quantity of fuel sold presently is about 10 to 20 percent less than the quantity sold five years ago. This is happening at a time when there are a lot more vehicles on the road presently than five years ago. It was explained that motorists are purchasing fuel from neighbouring countries where the fuel price is far below that in Zambia.

**\* Prohibitive lending interest rates**

Presently lending rates are between 48 and 60 percent; these rates are too high not only for agriculture but any industry. Consequently, farmers are unable to invest because of lack finance.

**\* High cost of farming equipment**

Zambian agriculture is dependent on imported equipment and machinery. Unfortunately the Kwacha has depreciated heavily over the last five years and this has made imported equipment and machinery very expensive.

**\* Poor border controls**

The ineffective border controls has resulted into increased smuggling activities and thus flooding the market with illegal cheap imports. A factor of particular concern is that farm produce from COMESA member States now enter Zambian market without customs duty as a result of the signing of the COMESA FTA.

**\* Limited Livingstone Market**

Due to high unemployment in Livingstone, effective demand for agricultural produce has been adversely affected.

**\* Lack of extension services**

The inadequacy of extension services has affected both small scale farmers and commercial farmers. There is a belief among commercial farmers that presently extension services are strongly biased to serving the small scale farmers. The problem of inadequate extension services is a result of poor funding and shortage of staff. For example, at the time of this study there were ten vacancies out of an establishment of twenty-two camp officers.

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<sup>1</sup> The assorted charges are Energy Regulation Board fee, National Roads Board Contribution, Exercise Duty, Value Added Tax, Transport Cost and Agency fees.



**\* Poor producer prices**

Producer maize price was considered not attractive and that it discourages increased production. The producer wheat price was also considered to be inadequate. It was alleged that the cheap Canadian wheat has depressed further the wheat producer price.

**\* Livestock Diseases**

Livestock diseases, especially corridor disease, have had a significant impact on the livestock industry in Livingstone. The diseases have been particularly severe among small scale farmers. Efforts to control the diseases have not been successful.

**Overall, it is evident that the commercial and small-sale agricultural economy holds certain potential for further expansion and development. Of importance, however, is the need to overcome certain critical constraints in order to reactivate the agriculture industry in the Livingstone district and the hinterland.**

## **5.2 Manufacturing**

The analysis on manufacturing begins with the national situation before turning to analyse the declining fortunes of Livingstone industry. The section is concluded by a review of potentially significant issues that might impact upon positively in terms of assisting a revival of Livingstone's manufacturing base, namely the introduction of export processing zones and of the African Growth and Opportunities Act.

### **5.2.1 The National Situation**

The manufacturing sector is identified in the Transitional National Development Plan as one of the "major sectors with potential to significantly contribute to Zambia's economic development and poverty reduction" (Zambia, 2002). Historically, following independence, the manufacturing sector of Zambia experienced a phase of rapid expansion linked to import-substitution industries which geared their production to the protected domestic market. Growth of local import-substitution manufacturing was made possible by high copper prices and associated high foreign exchange earnings that enabled the importation of raw materials. The leading sectors of industrial expansion were in food, beverages and tobacco, textiles, leather products and wood products.

The national poverty reduction strategy paper argues that the demise of the mining industry, combined with the liberalization of the economy, leading to a freer entry of imports, exposed the inherent weaknesses in the Zambian manufacturing economy (Zambia, 2002). Many enterprises were unable to withstand the competition from imports that threatened their domestic markets and moreover were unable to export mostly because of high input costs and low output quality. As a consequence, firm closures and other downsizing activities have reduced employment

opportunities and contributed to rising levels of urban poverty as workers lost their jobs especially in urban areas. In absolute terms it is estimated that out of 55 700 jobs in the sector in 1995, by 2000 7 900 jobs had been lost due to firm closures and reduced capacity utilization. One of the most dramatic downturns has occurred in the clothing and textiles sector. During the 1980s Patel and Mtonga (2002) argue that Zambia's textile and clothing sector had over 140 companies which employed over 25 000 workers. In the wake of a rapid pace of economic liberalization the sector has collapsed with employment levels nationally reduced to below 2 500 workers. Between 1992-1997, a SADC study on Zambia's garments sector records that 14 textile companies collapsed with an estimated 41 percent drastic cut in the sector's total employment (Rubin and Mudenda, 2001).

The underlying factors and constraints behind the decline of manufacturing in Zambia are well-understood. The TNDP records that these included a narrow export base, unfair competition and export subsidies in some trading partner economies, the lack of effective long-term capital for investment, the high costs of utilities such as fuel and electricity, low levels of skills of artisans and inadequate infrastructure, including of serviced industrial land. Further important considerations that have contributed to manufacturing decline have been the depressed state of domestic demand and limited access to sub-regional, regional and international markets. With the decline of mining there has occurred a corresponding downturn in demand for mining components and of the outputs of those industries that produced goods used by (such as protective wear) or consumed by mining workers.

The diminished growth in the large-scale formal manufacturing economy is viewed as having negative spin-offs and consequences for the small-scale enterprises both in urban and rural areas. Reduced opportunities for business linkages and subcontracting either directly or by indirect demand-supply relationships have diminished the prospects for the growth, graduation and upgrading of small-scale and informal sector producing enterprises.

Zambia's manufacturing sector is shifting markedly in focus away from the traditional import-substitution industries to becoming more oriented towards the export market. For the next 25 years the PRSP argues the guiding vision for manufacturing should be "To attain a dynamic, competitive and environmentally sustainable industrial sector in both urban and rural areas as a means to reducing poverty through sustained economic growth and employment creation" (Zambia, 2002). It is recognised by the TNDP that for attaining these goals a strengthening of the linkages between manufacturing and agriculture is essential as manufacturing processes add value to locally produced primary products. The increase in manufacturing outputs is viewed further as catalyzing increased demand for raw agricultural products that in turn has multiplier spin-offs for expanded output and employment in agriculture.

In order to ensure that the manufacturing sector further contributes meaningfully to national economic growth, the TNDP includes a commitment that "Government will endeavour to resuscitate the manufacturing sector by putting in place policies and strategies aimed at enhancing

the performance and productivity of the sector” (Zambia, 2002). The PRSP asserts that to attain this vision four core sets of strategic foci are:

- Promote investments in both urban and rural areas that primarily utilize local raw materials
- Encourage output and employment expansion in the sector by promoting growth in manufactured exports especially in industrial activities in which Zambia has comparative advantage.
- Promote growth in small- and medium-scale enterprises
- Promote an enabling environment and level playing field with respect to competing imports, efficient utilities in energy, transport and telecommunications, skills, training, science and technology development, and legal and regulatory framework that is conducive to manufacturing.

In the TNDP the main stated goal is that of aiming “To promote the growth of an export-led industry leading to employment creation and poverty reduction” (Zambia, 2002). The following specific objectives are highlighted as national government priorities for a revival of the manufacturing economy over the next three periods:

- to increase domestic and foreign investment in manufacturing
- to increase exports from manufacturing
- to develop and diversify the capital market
- to improve skills and craftsmanship
- to improve adaptive science, technology and research and development
- to promote growth in small and medium-scale enterprises
- to further develop rural-based industrial enterprises, especially agro-processing.

### 5.2.2 The State of Livingstone’s Manufacturing Economy

The essential story of Livingstone’s manufacturing development has two essential components. The first is of the rise and dramatic fall within a period of twenty-thirty years of a manufacturing economy rooted upon the demands of import-substitution. The second – and more recent development – is of the emergence of a small, newer manufacturing base that is linked to agro-processing and more generally, opportunities linked to resource-based industrialization.

### **The Rise and Fall of Livingstone’s “Traditional” Manufacturing Economy**

It is clear from available sources that the period of the late 1970s and 1980s was the heydays of Livingstone’s manufacturing economy. A schedule and listing of manufacturing activities in Livingstone lists almost 100 production enterprises as operating during that period when manufacturing was the strongest sector of the city economy. The listing of production activities includes an impressive range of industries, including motor-car assembly, food producers such as

bakeries, milling, biscuit makers and producers of milk products; furniture manufacturers; a host of textile producers and clothing manufacturers; light engineering plants; printing; manufacturers of radios and packaging material.

By far the largest cluster of production enterprises were found in aspects of clothing and textiles goods. Patel and Mtonga (2002) suggest that at one time Livingstone had a total of 43 clothing and textile factories. This clothing and textiles economy encompassed a diverse range of producers, *inter alia*, of women's dresses, men's suits, zips, school uniforms, blankets, blouses and underwear, shirts, trousers, pillows, mattresses, children's wear, bed sheets, and towels.

Of importance to note is that the essence of this local manufacturing economy was that of an import-substitution form of manufacturing which operated behind protective tariffs and serviced largely the domestic Zambian market. During the 1980s and early 1990s there began a process of the downsizing and hollowing out of Livingstone's manufacturing economy. Most of the initial closures that took place during this period were as a consequence of growing difficulties that were experienced in securing essential foreign exchange in order to import raw materials. With the rapid pace of economic liberalization, however, during the 1990s mass factory closures and downsizing took place such that by 1995 the number of operational factories in Livingstone had declined to less than 30 enterprises. The motor vehicle assembly plant, for example, closed due to its inability to compete with imported motor vehicles (ICMS, 2001). This collapse of the manufacturing economy meant that - almost by default - tourism emerged as the leading edge of the Livingstone city economy.

The decline of the clothing and textiles economy of Livingstone is both symptomatic and illustrative of the overall demise of the city's manufacturing base. To some extent the closure of the city's garment producers must be attributed to the special factor of the growing importation of *salaula* or second hand clothing. Nevertheless, it would be a mistake to blame *salaula* entirely for the dismal performance of Zambia's clothing and textile manufacturing economy. As several analysts have pointed, there were a host of deep rooted structural problems surrounding unfavourable fiscal, monetary and exchange-rate policies that date back to the 1980s which collectively had caused the sector into a precarious state by 1991 (Hansen, 1999, 2000). In addition to these problems the sector was further hit by its high import dependence, high capital intensity, inappropriate technology, poor management, and lack of skilled labour, especially in textile-printing technology, that resulted in a gross underutilization of capacity. During the 1990s high interest rates, lack of domestic credit and high tariffs on new machinery and raw materials made it difficult for the industry to readjust to the circumstances of a liberalized and highly competitive production environment.

Our interviews conducted with the residual old industrial economy of Livingstone disclosed that the few surviving manufacturers were either downsizing their operations or were in a precarious financial state. At least two of the interviewed enterprises were seriously considering closure by end-2002. Uncompetitive cost structures for international markets and low effective demand

within Zambia were at the heart of enterprise problems. Another significant constraint, however, was identified as lack of skilled manpower, in part because of HIV/AIDS deaths, in part because of the inability of the local trades and training institute to produce graduates with appropriate skills. Although the statistics are only best estimates, the Labour Office in Livingstone calculates that the manufacturing economy of Livingstone has shed at least 11 000 during the 1990s.

Currently there are only two textile companies remaining in Livingstone, namely, Continental Textiles Limited and Zambia Textiles Limited. The situation of these two companies illustrates the lack of potential for growth in the old manufacturing economy of Livingstone:

**\* Continental Textiles Limited**

Continental Textiles Limited was established in 1982 to manufacture blankets for the Zambian market. Under the protection of tariffs and other administrative barriers, Continental Textiles prospered during the first decade of its existence. Its fortunes came to an abrupt end in the mid 1990s following the liberalization of the economy. The performance of Continental Textiles in terms of production and sales has been declining since the mid-1990s.

The plant is designed to operate two shifts but presently the operations are down to one shift per day. At full capacity production the plant is designed to employ 200 workers, presently the company employs 60 workers. Three years ago the company employed 192 workers. The company is constrained by low effective demand for blankets in Zambia partly because of the economic recession the country is going through and the failure by the company to compete with imported blankets that enter the Zambian market at substantially lower prices. The cost structure at Continental Textiles is not competitive because of the relatively high cost of inputs such as electricity, which is highest in the SADC region. Moreover, as 90 percent of raw materials are imported the cost of production of enterprise is exposed to wide fluctuations induced by the unstable Kwacha – foreign currency exchange rate.

Continental Textiles is beset with further problems, including old machinery, as the company has been unable to invest in plant and machinery. Consequently, the quality of its products has been adversely affected thus making the products less competitive. Lack of skilled manpower has also adversely affected the operations of the company. This problem is partly because of the inability of the local trades training institutes to produce graduates with the appropriate skills as well as the high loss of skilled manpower through deaths due to HIV/AIDS related diseases.

Early in 2002 the company introduced the manufacture of bed sheets as a new product line. For twenty years blankets have been the only product line.

Continental Textiles buys lint from a ginnery located atimba, a small town near Livingstone. The same shareholders own the two companies. The ginnery has a network of out growers who grow cotton on contract. The respondents believe that Continental Textiles links with other

companies in the Livingstone economy are weak, for example the biggest industry of tourism rarely buys Continental Textiles products.

Although the COMESA and SADC markets are available, Continental Textiles is not in a position to effectively compete in these markets because of lack of investment in plant and machinery. The company continues to use old plant and equipment and as a result is unable to improve the quality of its products in order to compete effectively.

**\* Zambia Textiles Limited (ZAMTEX)**

Zambia Textiles Limited was formed in 1946 as a blanket manufacturing company and has continued to do so to date. The company had its days of glory when under tariff protection and administrative controls it was able to supply the Zambian market with little competition.

During the period prior to 1991, ZAMTEX was the largest supplier of blankets to Government institutions. However, this situation came to a sudden end in the early 1990s with economic liberalisation as a result of which the company began to experience liquidity problems. The company resorted to bank borrowing facilitated by previous good performance. Unfortunately, the debt has reached a level that the company cannot continue to service the debt without major restructuring. At the time of this study there was a real danger that the company would close down with 200 jobs at high risk.

**Livingstone's Emerging New Resource-Based Industrial Economy**

Alongside this bleak picture of the old Livingstone manufacturing economy, there is a brighter picture concerning a small but promising newer set of industries that began to emerge of the industrial wasteland of the 1990s. At the base of this revival is a strengthening of linkages back to agriculture and the growth of new agro-industries and of other resource-based industries, particularly around wood.

Until recently, the agro-industrial sector in Livingstone has been small, particularly since the closure of a meat processing facility in the city. Traditionally, the agro-processing sector has been dominated by the grain milling company, National Milling and a number of small hammer mills that are operated by individuals both at the industrial site and in the townships. National Milling, a branch of the Lusaka-based National Milling Corporation, is the largest agro-processing enterprise in the city and employs 60 people. Although the plant is designed to operate on a two-shift basis, currently it operates only one shift mainly because of supply shortages of maize.

In response to the declining prospects of the old industrial economy certain local entrepreneurs undertook a bold strategy of 'capital switching'. What this meant was the movement of investment out from declining manufacturing sectors into different and new spheres. Two examples of this capital switching and the birth of a new industrial enterprise in Livingstone are Finta and Supersonic. Finta Dairies was the result of capital switching from a declining textiles

enterprise whereas Supersonic was a change from the manufacture of radios to timber and timber products.

What is significant is that these two enterprises typify the new trend towards a growth in a 'new' Livingstone manufacturing economy which is a form of resource-based industrialization that links back to the resource base of the Southern Province hinterland. The example of Finta shows that a strengthening of the rural-urban linkages and support for the improvement of the livestock producers in Southern Province can result in a successful, growing and diversifying industrial enterprise. Another potential similar example is the impending re-opening of the abattoir. Meat processing has a comparative advantage in Livingstone because of the established livestock industry within a 100km radius of the city. The new meat processing facility has clear implications for supporting the cattle and goat producers of Livingstone district and in Southern Province more broadly. Indeed, just as Finta (with USAID project support) is engaged in diversifying a cluster of new production lines around milk, the abattoir potentially opens up in the long-term a range of new forward linkage manufacturing opportunities for tanning hides, the production of leather goods and even of lampshades for the tourism economy. It is significant that a considerable boost and impetus for the development of these agro-industrial processing enterprises in Livingstone has emanated from the demands of the growing tourism economy. This demonstrates the critical linkages and multiplier spin-offs from tourism development into the wider economy of Livingstone.

The wood sector is a further base for enhancing resource-based industrialization. Currently there are four medium-large wood processing operations in Livingstone which together employ about 500 workers. These enterprises include (1) Doors of the World, which is the largest wood processor in Livingstone and produces a range of products that include doors, garden chairs, dining tables and chairs; (2) Kubu Crafts, a successful producer a range of wood furniture and other products that have been targeted at supplying the tourism lodge market and expanding currently into upper income markets both domestically and potentially for export; (3) Supersonic International, which employs 100 workers producing mainly door and window frames as well as floor tiles, and currently school desks and tables; and (4) Livingstone Sawmills, a company employing 100 workers that focuses on export of raw sawn timber primarily to South Africa but which has reduced its capacity to 40 workers in light of the introduction by national government on a ban on the export of raw timber.

Overall, as a resource-based sector, the wood industry and wood value chain has a comparative advantage in Livingstone because of the city's proximity to rich hardwood supplies in Kazungula and Sesheke districts. Although the industry has experienced a downturn in line with declining domestic demand, its long-term prospects must be regarded as reasonably healthy. Indeed, whilst the ban on export of timber in the short-term is having a negative impact (and may even result in the closure of one enterprise), in the long-term the ban may be beneficial for Livingstone, more especially if more value-adding industries linked to the wood chain can be attracted or expanded in Livingstone geared both to domestic and potential export markets.

Anchored upon a set of strategies for strengthening of the resource base of Southern Province, the long-term prospects for the growth and expansion of further resource-based agro-processing in Livingstone must be rated as good.

### 5.2.3 Export Processing Zones

In terms of Zambia's changed national focus towards export-oriented manufacturing, much optimism has been generated by the implementation of a framework for the establishment of export processing zones. As the idea of establishing Livingstone as an export-processing zone has been discussed on several occasions since at least 1997 the details of the export-processing programme are of considerable importance for the potential future industrial revival of the city.

During November 2001 Act No. 7 of 2001 was enacted to provide for the establishment of an export processing zones authority and for the establishment and licensing of export processing zones. Further details are provided, *inter alia*, on the operation of EPZs in Zambia, of financial provisions, and, of relevant incentives for potential investors. The most important functions of the Zambia Export Processing Zones Authority are to develop export processing zones and to facilitate their development by land developers or investors. Of critical importance is the fact that in Zambia the decision has been taken that will be no central government spatial or geographical selection of favoured localities for status as export processing zones. What this means is that any locality or any individual premises in Zambia may be declared as an export-processing zone. The critical criteria for qualification of any premises as an export-processing zone is that the factory or premises must export 80 percent of its annual production. The Act provides for the development of facilities "including adequate fencing or enclosures to separate the export processing zone from the customs territory and to ensure the security of the zone". In considering an application for an export processing zone the Authority is expected to consider its significance in terms of, *inter alia*, the promotion of economic development in Zambia, issues of employment creation, potential environmental impacts and the degree of export orientation of the project.

It is evident from interviews with senior officials in the Department of Trade and Industry that in the determination of the legislation and incentives that are to apply in the promotion of export-processing zones in Zambia that detailed consideration was given to the competition of parallel development of such zones in Kenya, Zambia and other countries. The most important incentives relating to business enterprises in EPZs provide that both the developers of EPZs and investors will be exempt from:

- corporate tax
- withholding tax on dividends and tax on interest or royalties
- capital gains tax
- duty on imported raw materials, plant and machinery, intermediate and capital goods, and services;



- import value added tax; and
- excise duty

It is stated that potential investors could select this package of incentives under the EPZ Act or those offered under the Investment Act. What is significant is that under the current determination of Act 7 of 2001 no time limit is specified for the duration of these incentives. The absence of such a time limit for these exemptions is significant for it is a common pattern in export processing zone development in other parts of Africa for such tax exemptions to be limited to a 5 or 10 year period. The current Zambian legislation is therefore highly favourable for the development of export processing zones as compared to Zimbabwe or Kenya where at the end of the tax exemption period there is a trend for investors in the EPZs to be geographically mobile and relocate their operations at the end of the tax exempt period.

It must be concluded therefore that the current tax dispensation is a very generous offer to galvanize export-oriented manufacturing in Zambia. It is significant that the existing focus in the export processing zone legislation is for the support of manufacturing activities and in the 13 June 2001 version of the EPZ legislation a schedule of “specified goods and services” was specified as potentially indicating preferred investors. The list of specified goods and services included: cotton textiles (yarn and fabric); men’s, ladies’ and children’s wear; knitted garments (T-shirts and pants); copper processing (rods, cables, wire and tubing); refrigerators and deep freezers; cookers and stoves; fruit processing (mango, pineapple and orange); cereals; electrical equipment/assembly (computers, musical systems, radios, telephones, TVs, VCRs); gem processing and jewellery; agro-processing; building materials (ceramic ware, geysers); leather bags, jackets; fresh flowers and fresh fruits and vegetables (see Blarcom, 2001).

In considering the option of export processing, a caution must be offered. The establishment of export processing zones depends on the attraction of foreign investors by offering generous packages to investors, favourable import and export arrangements, a developed infrastructure and a trained but relatively low-cost labour force. In Zambia, both infrastructure and labour are recognized as in need of upgrading and the country’s landlocked location is not ideal for international market access. The danger exists that while EPZs might generate employment opportunities, they may offer few enduring benefits to local economies because of the low pay of workers. The outcomes might therefore be that Zambia’s export processing zones may take on the form not of the best practice of Mauritius but of Bangladesh where EPZ workers cannot afford to purchase the garments that they produce and instead rely on that country’s large market of imported secondhand clothes.

#### 5.2.4 AGOA

Beyond the introduction of export processing zones, other opportunities for Zambia to attract export-oriented manufacturing exist with the passage in October 2000 of the United States African Growth and Opportunity Act (AGOA). AGOA represents a non-reciprocal unilaterally

determined trade agreement offered by the USA to sub-Saharan Africa and opens up access to the world's largest market for preferential exports from Africa initially for a period of eight years. In order to benefit from the quota free and duty free preferential access to the US market African countries have to fulfill two conditions under AGOA. The first is a political condition that countries must meet certain political and human rights criteria, most importantly that they cannot engage in activities that undermine US national security or foreign policy. The second concerns the introduction of a customs visa system that is officially approved by US customs in order to guarantee compliance with strict rules of origin. Although the AGOA legislation offers export opportunities across a range of manufactured goods greatest potential is seen in respect of access to the US clothing market. This offers a host of potential opportunities for garment and textiles production and a strengthening of the cotton value chain in those Southern African countries that qualify under AGOA. As Zambia is a qualifying country, opportunities are opened up for the renewal of the country's textiles and garments manufacturing sector (de Voest and Schulz, 2002). Of significance is that of the two main cotton –growing countries in the SADC region, Zambia and Zimbabwe, only Zambia is currently eligible for trade benefits under AGOA. This is viewed as particularly important in terms of meeting the rules of origin criteria (Rubin and Mudenda, 2001).

In many Southern African countries, such as Lesotho and Swaziland, an observable trend is for the attraction of large Far Eastern investors who have been taking advantage of these opportunities under AGOA. It is significant that ZAMTIE has recorded the interest of at least one “high quality” Chinese textiles manufacturer in a joint venture investment in Zambia (de Voest and Schulz, 2002; ZAMTIE, 2002). The interviews at ZAMTIE disclosed that both Kafue and Livingstone having been already visited as potential locations. Moreover, the investor planned to link production into sourcing cotton from local cotton ginneries in Southern Province in order to become AGOA compliant as regards rules of origin.

**Overall, the situation in the manufacturing sector is complex offering mixed opportunities and dangers for development in Livingstone. The prospects for the old import-substitution forms of producers are bleak. New prospects are emerging for resource-based and especially agro-industrial enterprises, particularly those linked to tourism and new possibilities are offered for the attraction of an export-oriented manufacturing base through Zambia's EPZ legislation and AGOA.**

### **5.3 Tourism**

The future of Livingstone will be inextricably linked to the fortunes of the city's tourism economy. In this section, an analysis is presented of the national tourism economy of Zambia, followed by the situation and prospects for the local Livingstone economy. The national discussion includes an examination of the role of tourism in Zambia, environmental issues and the current evaluations concerning the directions of success and failure in national tourism development. This situational analysis provides the essential backcloth to the discussion on tourism in Livingstone. Finally, the analysis turns to review important current regional tourism initiatives that can enhance the tourism potential of Livingstone.

#### **5.3.1. Tourism in Zambia**

In 1996 the Zambian Government reclassified the tourism sector from a social to an economic category. This was in recognition of the sector's recognized potential to contribute to economic development in terms of foreign exchange earnings, employment and income generation, contribution to Government revenues, promotion of rural development as well as perform the role of a sustainable development catalyst. In 1996, a conservative and preliminary estimate by the Ministry of Tourism calculated that Government derived USD 18 million from tourism spending making the tourism industry a major contributor to Government funds. In 2001, former President Frederick Chiluba said it was Government's intention to grow tourism to Zambia by 40% in the next five years. The National Tourism Policy drafted in 1999 identified the following high priority issues within the overall mission and it is interesting to assess to what extent implementation has been successful:

- Bring about growth in the tourism industry through the encouragement of the private sector
- Redistribute both the opportunities to participate in tourism growth and access to the benefits from it, towards Zambians
- Ensure that such equitable growth is environmentally sustainable and will be accessible to future generations
- Diversify the tourism product from mainly wildlife based
- Carry out necessary legislative and organizational changes to facilitate development in the sector
- Raise public awareness of the national significance of investment in and promotion of tourism
- Promote domestic tourism, leisure and recreation
- Promote initiatives for regional tourism co-operation
- Promote proper investment incentives in Zambian wildlife, cultural tourism, and in the tourism product
- Improve tourist infrastructure roads, railways, airports, telecommunications and other supporting facilities

- Seek to help the industry to create more local jobs, to generate more local incomes, to earn more foreign exchange, and to contribute more to government revenues as a result of the improved business climate and the improved viability
- Facilitate the availability of local supplies to the tourism industry
- Improve the national tourism administration so that it helps the tourism industry to be competitive and viable
- To encourage and assist Zambians to own and manage hotels, lodges and other tourist facilities

Zambia, the stepchild of southern African tourism, sometimes is viewed as rising Phoenix-like from the ashes of Zimbabwe's tourist industry. Typically, one recent BBC report noted that Zimbabwe's tourism industry "which had enjoyed growth of 20% to 40% since the late 1980's, has seen occupancies going below break-even levels. As the hard times roll, some floors at the five-star world acclaimed Sheraton Hotel have been closed and workers laid off. To date, about 5000 jobs have been lost and more than 100 tour operators have closed down, while hotel groups have suspended expansion programmes".

A major consideration is on what foundation Zambia should build its untapped tourism potential. Should Zambia build its tourism growth on the foundation of the current demise of the Zimbabwe tourism industry and if so what would happen if Zimbabwe recovered or should Zambia position itself as offering its own unique tourism experiences? Currently the Zambia National Tourist Board (ZNTB) has positioned Zambia as offering 'the real Africa'. The National Parks and Game Management Areas in Zambia offer the element of surprise and the visitor is never quite certain what might appear from behind a tree or out of the bush at any moment in time. Game viewing is unpredictable and even at times dangerous which gives the visitor a sense of 'real Africa'. Zambian promotional literature offers an adventure of a lifetime focusing mainly on:

- Abundant Wildlife
- Cultural Diversity
- Exhilarating Adventure
- Beautiful Scenery

There is no doubt that Zambia has considerable untapped natural resources for tourism development. These include abundant wildlife, rich cultural and heritage sites, abundant water resources, peace and tranquility. In total, the country has 19 National Parks and 34 Game Management Areas (GMA's) which cover 33% of the country, albeit only 5% of this has been developed for tourism.

Table 9 indicates that tourism has been growing significantly in Zambia, albeit from a low base considering the substantial resources available.

**Table 7: Selected Performance Indicators in the Tourism Sector**

Year	International Visitor Arrivals	Tourism Earnings USD millions	Jobs
1995	163,000	46,7	5,909
1996	263,986	59,8	6,792
1997	340,896	75,5	7,902
1998	362,025	74,4	8,991
1999	404,247	88,0	10,340
2000	457,419	110,8	11,892
2001	489,095	117,1	13,444

*Source: Ministry of Tourism, Environment & Natural Resources*

## Investment Promotion

National efforts are made to attract large investors in all the country's nine designated tourism zones through good international marketing skills. Local investors will be encouraged to forge partnerships with foreign investors in order to ensure that the local people have a stake in the development of the tourism industry. A policy is to be formulated to ensure that local people have a minimum of 40% shareholding in inward investment into the tourism sector and in this regard it will be important to develop an investment package which covers for example issues relating to incentives, security of land tenure, concessions, and bulk infrastructure.

Tourism remains at present a small contributor to the economy of Zambia contributing a mere 2% of the GDP and employing just over 13,000 people which is far below the world average. Table 8 gives an indication of growth in the tourism sector:

**Table 8: Rate of Growth in the Tourism Sector 1994 - 2001**

Year	International Visitor Arrivals	Tourism Earnings USD \$m	Room Occupancy Rate (%)	Bed Occupancy Rate (%)	Jobs	Tourism Contribution To GDP (%)
2001	489,095	\$117,1 m	64,6%	58,9%	13,444	2.1%
2000	457,419	\$110,1 m	46,4%	36,5%	11,892	1.9%
1999	404,247	\$ 88,0 m	45,5%	31,2%	10,340	1.8%
1998	362,025	\$ 74.4 m	40.3%	31.2%	8,991	1.9%
1997	340,896	\$ 75.5 m	49.4%	41.2%	7,902	1.8%
1996	263,986	\$ 59.8 m	40.8%	31.8%	6,792	1.8%
1995	163,000	\$ 46.7 m	47.0%	33.8%	5,909	1.7%
1994	153,103	\$ 44.8 m	50.7%	41.4%	5,141	1.6%

*Source: Ministry of Tourism, Environment & Natural Resources*

## Selected Tourism Statistics

**Table 9: International Tourist Arrivals by Origin 1997 - 2001**

Country of Residence	1997	1998	1999	2000	2001
Africa	203,777	260,162	301,942	294,479	314,872
Europe	71,427	67,055	67,253	105,409	112,709
Americas	27,819	14,893	15,121	27,469	29,371
Asia & Oceania	37,873	19,915	19,931	30,062	32,144
<b>TOTAL</b>	<b>340,896</b>	<b>362,025</b>	<b>404,247</b>	<b>457,419</b>	<b>489,095</b>
<b>Hotels:</b>					
number of rooms	3,611	4,069	4,721	4,744	4,822
number of beds	6,403	6,737	7,892	7,920	8,136

*Source: Zambia National Tourist Board*

Overall, as shown on Table 9, from 1997 to 2001 growth in Zambia's foreign tourist arrivals was strong having increased by 43% over the five-year period an average annual growth rate of just over 8%. This performance is ahead of the average annual growth rate in global tourism, albeit the low baseline must be taken into consideration. For example one event such as the total eclipse in June 2001 attracted 21,000 tourists to Zambia and this had a phenomenal impact on the percentage growth as compared to the previous year.

The national data concerning purpose of tourism visit to Zambia shows the importance of business tourism (see Table 10).

**Table 10: The purpose of the visit**

Purpose	1998 Numbers	1998 Percentage	1999 Numbers	1999 Percentage
Holiday	95,385	26%	105,039	26%
Business	166,403	46%	175,713	43%
VFR	53,553	15%	60,866	15%
Other	46,686	13%	62,629	16%
<b>TOTAL</b>	<b>362,025</b>	<b>100%</b>	<b>404,247</b>	<b>100%</b>

Unfortunately no more recent figures are available. The dominance of business travel is an indication that there is considerable potential to increase holiday tourism.

The information concerning source markets is presented on Table 11.

**Table 11: Top ten holiday markets for Zambia**

Country	Visitors Numbers 1998	Visitors % 1998	Country	Visitors Numbers 1999	Visitors % 1999
South Africa	22,914	31%	South Africa	19,778	22%
United Kingdom	18,452	25%	United Kingdom	19,508	22%
Australia	7,526	10%	Zimbabwe	13,919	16%
USA	6,415	9%	Other Southern Africa	10,091	11%
New Zealand	3,771	5%	USA	5,297	6%
Other Scandinavia	3,649	5%	Australia	5,273	6%
Germany	3,385	5%	Other Europe	4,822	5%
France	2,849	4%	Central Africa	3,968	5%
Canada	2,234	3%	Germany	3,752	4%
Denmark	1,794	3%	Other Scandinavia	2,296	3%
<b>TOTAL</b>	<b>72,989</b>	<b>100%</b>		<b>88,704</b>	<b>100%</b>

*Source: Ministry of Tourism*

Regrettably, once again, more recent statistics on source markets are not available. It is evident that South Africa and the United Kingdom are the main supplier markets. Although South Africa is the main short-haul holiday market from within the continent of Africa, Zambia remains an expensive holiday destination for most South Africans unless they receive substantial package discounts. The United Kingdom is the main traditional long-haul holiday market largely due to the colonial links. Of note is that Germany only accounts for 5% of the overseas long-haul market when the product of Zambia has such wide appeal for the German outbound tourist. It can only be assumed that Zambia has not received much marketing exposure in the German market.

Information concerning direct revenue that is generated by sector is presented in Table 12

**Table 12: Revenue per tourism sub sector**

Sector	1999 USD	1999%	2000 USD	2000%	2001 USD	2001%
Accommodation	\$33.7 M	38%	\$ 41.8 M	38%	\$ 44.1 M	38%
Travel	\$25.8 M	29%	\$ 32.9 M	30%	\$ 34.7 M	30%
Tours	\$15.2 M	17%	\$ 19.3 M	17%	\$ 20.4 M	17%
Car Hire	\$ 8.6 M	10%	\$ 11.0 M	10%	\$ 11.6 M	10%
Other	\$ 4.6 M	6%	\$ 5.8 M	5%	\$ 6.2 M	5%
<b>TOTAL</b>	<b>\$88.0 M</b>	<b>100%</b>	<b>\$110.8 M</b>	<b>100%</b>	<b>\$117.0 M</b>	<b>100%</b>

*Source: Ministry of Tourism*

According to Table 12, accommodation accounts for 38% of tourist spending by international tourists in Zambia. Generally, business tourists spend a higher proportion of their spending on accommodation than holiday tourists. When accommodation is part of a fully inclusive package tour then group tourists will spend more on accommodation as a proportion of expenditure than independent travellers who will often select more affordable accommodation. Until the recent

development of the two Sun International hotels on the Zambian side of the Victoria Falls near Livingstone, it can be assumed that Zambia was receiving very few package tours. This is reflected in the 1999 Annual Report of the Zambia National Tourist Board. The report states that only 13% of the total arrivals utilised registered accommodation in Zambia. The explanation provided is that the bulk of visitor arrivals to Zambia come from neighbouring countries with 'tourists' either visiting friends and relatives or involved in cross-border trade. Cross border traders usually prefer the more affordable informal accommodation that is unclassified. The proliferation of B&B's and Guesthouses has also taken the business away from the Hotels/Lodges.

### **Environmental Issues**

Zambia has some of the finest natural areas and game parks on the continent. The country has a bewildering diversity of landscapes and attractions on offer such as world class angling in its lakes and swamps (including Lake Tanganyika), pristine wildlife in the Luangwa Valley, the extraordinary Barotse flood plains and the Bangweulu Swamps. Also a host of national parks, most of which are seldom visited by foreign tourists, mainly because access is rough, tough and just slightly hazardous.

About 30% of Zambia is covered by wildlife parks. As noted earlier, it has 19 National parks and 34 Game Management Areas (GMAs). This network of protected areas covers most habitat types and big game and includes endemic species of the Kafue and Black Lechwe. Over 600 species of birds can be found including rare birds such as the wattle cranes and shoebills. Zambia also enjoys an exceptional diversity of freshwater fish (over 400 species), mostly found in Lake Tanganyika. The natural flora and great variety of indigenous trees and flowers are also special attractions.

The GMAs generally surround the National Parks and were created as a buffer zone against disruptive land use practices. The main aim of the GMAs is to maintain wildlife at optimum abundance and diversity along with allowing off-take at sustainable levels. In addition, these areas were created to provide a framework for integrating wildlife management into the rural economy. About 35% of revenue generated by hunting is estimated to go into the local communities living in the GMAs. Poaching is considered to be the major threat to the integrity of the protected areas system. Other threats that have an impact on the quality of the wildlife tourism product include:

- Uncontrolled bush fires
- Illegal and uncontrolled human settlement
- Agricultural encroachment and illegal grazing of domestic livestock
- Localized destruction of habitat through over population of some wildlife species (elephant)
- Illegal fishing
- Expansion of industrial activities



- Mineral prospecting
- Hydroelectric developments

A Master Plan for the Development of Zambia's Protected Areas, which forms part of the EDF/NPWS Sustainable Wildlife Management Project, reviews the large network of protected areas working together with public administration and resource management. The NPWS is currently being restructured and will be replaced by the Zambia Wildlife Authority. Tourism based upon wildlife has become the leading foreign exchange earner in several countries. Similarly the Zambian leisure tourist product, relative to both international and domestic tourism, is based substantially on wildlife and wilderness, and to a lesser extent upon culture and heritage. National Parks and Wildlife Services (NPWS), which manage the wildlife estate, is essentially a conservation organization, but, in view of its present concern of sustainability, have increasingly given priority to the commercial development of its assets.

Income is generated from the sale of hunting concessions and safari licenses in Game Management Areas (GMAs) and through sustainable use of the National parks (e.g. through park entry fees and lodge leases). However, it is still an under-funded organization that cannot cover its responsibilities. Overall, Zambia does not have a good record of environmental management. There is evidence of wide scale poaching of game and over-population of elephant in some of the national parks. Drought and food shortages in Zambia were also having an adverse effect on wildlife in the country's parks. In an effort to save endangered wildlife the Zambian Government with immediate effect in 2001 banned the issuing of hunting concessions in the country (*Travel News Now*, 24/01/2001). In a statement, the government said the country had experienced widespread abuse of the concession licenses that had been used for the "indiscriminate dissemination of wildlife" Moreover, according to the government, few, if any, of the operators had honoured their obligation to remit earnings from their concession proceeds. This ban has, in effect, and out of necessity closed down a major source of revenue for the country. Nevertheless, the ban will give the Zambian Wildlife Authority (ZAWA) an opportunity to reorganize, and help re-establish sustainable bio-diversity in national parks and game management area, as well as helping to create jobs. This is a step in the right direction until the breeding herds have been restored to an acceptable level. Recently, ZAWA invited tenders to buy buffalo, impala and zebra from the Mosi-oa-Tunya National Park.

Government's recognition of and commitment to the management of bio-diversity and wildlife is clearly set out in the 1998 Policy for National Parks and Wildlife Services (NPWS) in Zambia. It's Mission Statement for ZAWA (the organization taking over from NPWS) is that The Zambian Wildlife Authority (ZAWA) is there to conserve Zambia's precious and unique wildlife. To that purpose it promotes the appreciation of sustainable use of wildlife resources by:

- Facilitating the active participation of local communities in the management of the wildlife estate
- Promotion and development of tourism

- Enhancing the recognition of the economic value of wildlife resources amongst public and private stakeholders
- Education of the general public

Overall, therefore, in its activities ZAWA contributes to the maintenance of Zambia's rich Bio-diversity and to economic development of the sector, the local communities in the Game Management Areas (GMAs) and the country as a whole.

## **Evaluation of National Tourism Development**

In an overall evaluation of national tourism development in Zambia, one must observe both successes and failures.

The successes are:

- Tourism has grown by 43% from 1997 to 2001 albeit from a low baseline
- There are positive signs of product diversification from mainly wildlife based tourism to adventure tourism, cultural tourism, leisure tourism and conference tourism
- At least 15 new riverside lodges and camps have opened in between Kazungula and the tail end of Batoka Gorge in the last 18 months including two new Sun International holiday resorts. These developments have added some 1000 additional beds to the available bed stock for tourists
- Recent investments by private enterprise in the travel & tourism industry have generated USD 71 million for the economy of Zambia and created 1,243 direct jobs in the industry. It is commonly believed that one permanent job in Zambia will help support 10 members of the employee's extended family
- There are visible signs of efforts by Government to significantly improve the tourist infrastructure e.g. the tarring of the road from Livingstone to Kazungula, the repair and maintenance of the main highway from Livingstone to Lusaka and the upgrading of the Livingstone International Airport at a cost of USD 800,000

The shortcomings are:

- Heavy taxes and licensing fees do not encourage private sector investment
- There is very little evidence that tourism has encouraged local Zambians to enter the industry as owners and managers of their own businesses
- There is a great deal of concern with regard to environmental management especially of the national parks and game management areas
- There is little evidence that legislative and organizational changes have facilitated development of the tourism sector
- There is little evidence that the level of public awareness has been raised with regard to the significance of investment and promotion of tourism

- There is a low level of tourism education and awareness especially in rural areas
- There is very little information available on domestic tourism and no evidence of efforts to encourage local Zambians to travel in their own country
- There is little evidence that the Zambian tourism authorities are proactively promoting initiatives for regional tourism e.g. South Africa, Zambia and Tanzania regional tourism cooperation to develop a multi-destination package for the international market i.e. Cape Town to Livingstone to Dar es Salaam
- Plans to promote proper investment incentives have taken a long time to materialize and if this process is not accelerated as a matter of urgency then there is a danger of losing out to some of the more proactive SADC countries e.g. Tanzania
- The quality of local supplies, especially essential goods to the tourism industry, is not competitive with imported products and this needs to be rectified
- The national tourism administration needs to be considerably improved and important documents widely distributed e.g. very few of the private sector product owners have received a copy of the National Tourism Policy

### 5.3.2. Tourism in Livingstone

Situated only 10km from the Victoria Falls with the Zambezi River as it's most southern border and adjacent to the 1,500 hectare Mosi-Oa-Tunya Zoological Park, the City of Livingstone has always enjoyed great tourism potential. Indeed, the two international icons, the mighty Victoria Falls acclaimed as the 7<sup>th</sup> Natural Wonder of the World and the majestic Zambezi River, are 'must see' attractions in Africa. The Victoria Falls is on UNESCO's list of World Heritage sites. **In the face of the decline experienced by the city's manufacturing economy, the core challenge in Livingstone is to ensure that tourism becomes an important long-term focus for job generation as well as for poverty alleviation.**

The assessment of the tourism growth and development potential of Livingstone focuses on the three key performance indicators identified under the Tourism SEED Project:

- 1) Increased private investment in tourism related activities;
- 2) An increased number of tourism-related jobs in the project focus area;
- 3) An increase in revenue to communities from tourism related activities.

The objective of SEED is to support Government's effort to stimulate diversified economic growth and private sector investment using tourism as an entry point, to be achieved through public-private partnerships by strengthening the private sector growth, supporting community based development and preserving the extensive cultural, natural and wildlife assets.

At the outset it must be acknowledged that tourism generally in Southern and Central Africa has a poor database of relevant information to measure performance, including in Zambia where it is difficult to obtain visitor statistics, guest profiles and occupancy rates. This assessment of tourism

growth and development in Livingstone will endeavour to calculate the true value of travel & tourism because it would appear that previous estimates have only attempted to measure the growth of the tourism industry and have not taken into consideration the wider tourism economy. The Travel & Tourism Industry measures the size of the sector i.e. transport, accommodation, catering, recreation and related activities. This is usually measured in tourist receipts. The Travel & Tourism Economy measures the impact of Travel & Tourism as it ripples through the wider economy (multiplier effect).

Various attempts have been made to quantify the economic impact of tourism but the poor database of information makes it difficult to measure performance. One figure has been quoted that in the quietest month the value of tourism to Livingstone is USD 650,000 and in peak season it increases from USD 3 million to USD 5 million. This would mean that tourism could be worth at least USD 30 million a year to the City of Livingstone. Also, the number of available beds in the different types of accommodation is unknown. There is an estimate of 1600 beds in the Southern Province mainly in Livingstone but this figure does not include the two new Sun International resorts. Table 13 reflects the number of visitor arrivals by Port of Entry, albeit it is not known how many of these visitors actually spend one night in Livingstone:

**Table 13: City of Livingstone annual visitor arrivals by port of entry**

No	Port of Entry	1999	2000	% Change
1	Victoria Falls	192,083	201,556	4.9%
2	Livingstone Airport	2,656	2,678	0.8%
3	Kazungula	9,769	13,702	40.3%
4	Katima Mulilo	9,922	10,807	8.9%
	<b>TOTAL</b>	<b>214,430</b>	<b>228,743</b>	<b>6.7%</b>

*Source: Ministry of Tourism, South West Regional Tourism Development Office*

It is clear that the greatest flow of visitors to Livingstone currently arrive from the Zimbabwe side of the Falls, mainly coming for a day trip. A critical challenge is to draw visitors into town, to get them to stay longer and to spend more.

## Local Tourism Plant and Visitor Profiles

**Table 14: City of Livingstone lodging capacity and room rates**

Name (Established)	No of Rooms/ Chalets	No of Beds	Av. Room Rate USD	Average Room Occupancy	Jobs
Zambezi Sun (2001)	212	414	USD 269		159
Royal Livingstone (2001)	173	346	USD 403		164
New Fairmount Hotel (1941)	75	150	USD 23	70%	132
Jolly Boys Backpackers (1995)	3 1 x Dorm Camping	7 24 25	USD 15 USD 6	Very rarely drops below 75%	18
Fawlty Towers Backpackers	8 x Twins 6 x Dorms	16 10	USD 30 USD 8	48%	16
Geckos Guest House	Rooms & Dorms	20	USD 10 USD 6	25%	
Ngolide Lodge	16	32	USD 36	80%	22
Wasawange Lodge (1994)	20	40	USD 95	65% - 70%	
The Zambezi Waterfront	6 x twins 10 x twins 3 x Exec 4 x Fam 30 x Tents	12 20 12 16 60	USD 50 USD 40 USD 65 USD 120 USD 20	Average of 800 guests per month = 25%	71
River Club (1997)	10	20	USD 330	50%	50
Tongabezi Lodge (1989)	9	18	USD 320	27%	87
Tongabezi Islands	4	8	USD 260		
Susi & Chuma Lodge (2001)	10	20			
<b>TOTAL</b>		<b>1270</b>			<b>719</b>

The Ministry of Tourism estimated that there were about 1600 available beds for tourists in the Southern Province. This estimate was prior to the development of the two Sun International hotels and new riverside lodges and camps. It was outside the scope of this assessment to undertake a comprehensive audit of the total bed stock in and around the City of Livingstone. However, Table 14 gives an indication that there are now nearly 2000 beds available for tourists in Livingstone without counting the number of VFRs staying in private homes. The 13 establishments included in the table account for 1270 beds and employ 719 people. It is commonly accepted in Zambia that every 1 person with a job probably supports at least 10 others.

Overall, it was difficult to gather information from government statistics to develop a guest profile of visitors staying in the different establishments. However, information gathered from the interviews does give some indication of where the visitors come from, how long they stay and how much they spend.

## **Backpacker Lodges**

- Jolly Boys

In 1995 Jolly Boys was the first international backpacker's lodge established in Zambia. It is highly recommended by Lonely Planet Africa and Lonely Planet Zambia. The business has grown from an average of 60 guests per month in 1995 to over 200 guests per month in 2002. The average rate in dormitory accommodation is USD 6 per person per night and USD 15 per person per night in rooms. The room occupancies are seasonal and vary from 50% to 108% but seldom drop below 75%. The UK is the biggest supplier of backpackers mainly students who have completed their studies and go globe trotting. Other major source markets are Europe, Australasia and Israelis who have completed their military service travelling overland through Africa. The average stay is 3 to 4 days and backpackers from the UK will spend a total of USD 470 over the 4-day period.

The backpacker market is influenced by international events such as Rugby World Cup. Networking produces the most cost-effective results and the owner of Jolly Boys, Paul Quinn and his wife, travel through South Africa every year, especially down the Garden Route, calling on all the backpacker lodges. Direct marketing on the Internet also produces good results. Jolly Boys offer game drives in the Mosi-oa-Tunya National Park and they operate a 24-seat private charter coach service between Livingstone and Lusaka. Despite the pleasing results, Paul Quinn says government taxes e.g. license fees, entry fees at the National Parks; permits etc have reduced profit margins to between 3% and 4% making it difficult to operate a viable business. Paul owns a site near the Livingstone Museum and has prepared a business plan for loan capital of USD 50,000 to build a new backpackers lodge. He has assets worth USD 100,000 and is debt free. He projects that he can pay back the loan over a three-year period. However, he says that if government introduces any more taxes or increases the fees then many small businesses will pack up and move elsewhere.

- Gecko's Guesthouse

This is not a guesthouse but a 20-bed backpacker's lodge. The old colonial building needs some upgrading but it offers basic accommodation at a rack rate of USD 6 in dormitories and USD 10 in rooms. They receive a fair amount of domestic backpackers en route to Zimbabwe or South Africa. The room occupancy rate averages about 25% over the year. Marketing is mainly in publications supported by the Livingstone Tourism Association (LTA) and the Zambian National Tourist Board (ZNTB). In addition, the guest house has a web-site that is linked to the LTA web-site and the ZNTB web-site.

- Fawltly Towers Backpackers Lodge

This popular backpacker's lodge offers accommodation in double rooms, some en suite with air conditioning, and basic dormitory accommodation. The rate in an executive room is USD 30 per person per night; a standard room is USD 20 per person per night and dormitories USD 8 per person per night. The visitor's book confirms guests from Israel, Holland, Australia, USA, Denmark, New Zealand, United Kingdom (main supply market), Sweden, Germany, France, Ireland, Spain, Italy, South Africa, Canada, The Netherlands, Austria and Switzerland.

## **Hotels**

- Sun International (SI)

The 212-room three-star property, Zambezi Sun was officially opened on 9 April 2001 followed by the opening of the five-star 173-room Royal Livingstone Hotel on 4 May 2001. The total investment of USD 56m includes a small casino with slot machines and a convention centre. The Falls Convention Centre has 4 Breakaway Rooms with seating capacity for up to 450 delegates. The two hotels occupy 48 hectares of prime riverside estate located in the Mosi-Oa-Tunya National Wildlife Park, a World Heritage Site. During construction over 2000 workers were employed on site with hundreds more employed on the digging of a 10km water pipeline. Currently 323 staff members are permanently employed at the two hotels. Projections are that by the end of 2002, Zambia's GDP will have been boosted by at least 3% as a result of SI's presence.

The two resorts have been installed with the latest Guestlink Global System providing top of the range in-room communication and entertainment. The Guestlink Global System allows guests to access the Internet and send and receive e-mails all from a remote control handset or a wireless keyboard from anywhere in the room.

Initially the two resorts were operating at low room occupancies but a recent report issued by SI claims that occupancy levels have doubled following an intensive marketing campaign in the United Kingdom. However, the general feeling by tourism product owners is that the two resorts are operating at a 20% room occupancy level. The single room price at the Zambezi Sun is USD 270 and at the Royal Livingstone USD 400. Corporate discounts and conference packages can be negotiated based on the number of guests.

At this stage SI has no plans to build a designer golf course at the resorts because there is actually no space on the property. They do however make arrangements for their guests to play golf at either the local Livingstone Golf Course or in Zimbabwe at the Elephant Hills Golf Course. Currently there is little demand for the Casino facility and it would not be surprising if it was closed down soon in favour of health tourism and spa facilities. Group tours have started arriving from the United Kingdom, USA, The Netherlands, France, Japan and South Africa. There is no doubt that the two SI resorts have facilitated scheduled flights between Johannesburg and Livingstone operated by Nationwide Airlines.

- New Fairmount Hotel

The Fairmount hotel was built over fifty years ago and has recently been upgraded. The hotel has 75 rooms and 150 beds. The rack rate of a single room is USD 23.00 and a double room sharing USD 28.00. The average room occupancy is 70% over the year. The hotel contains the biggest conference centre in Livingstone and can host 600 delegates. The hotel manager claims that the hotel hosts at least one conference every week and that the occupancies are 80% local business travel. The hotel also has a casino with both slot machines and tables. 132 Zambians are employed at the hotel and all supplies are purchased locally. Training is done in-house and they use accredited trainers from the Lusaka based hotel school.

## **Lodges**

- Ngolide Lodge

Ngolide Lodge has 16 rooms (7 queen, 8 x doubles and 1 x suite) and 32 beds. The Lodge has a licensed restaurant and they plan to build a business centre. The rack rates are USD 47.00 for a queen room and USD 36.00 for a single room. Meals are extra. The Lodge employs 22 permanent staff. They claim to operate at an 80% room occupancy rate mainly 80% business travel and a few foreign tourists. They distribute brochures to promote the Lodge but get the best results from their interactive website.

- Wasawange Lodge

The Lodge was established in July 1994. It has 20 rooms and 40 beds. The rack rates are USD 95.00 for a single room bed & breakfast and USD 110.00 for a double room bed & breakfast. The average room occupancies over the year vary between 65% and 70%. The lodge has conference facilities for up to 70 delegates.

## **Chalets, Tents and Camping**

- The Zambezi Waterfront

The Zambezi Waterfront averages about 800 guests per month and their peak season is from June to August. There are a total of 111 beds varying from riverside twin chalets to executive chalets, family rooms, twin tents and camping sites. The rack rates vary from USD 50.00 per person per night bed & breakfast to USD 20.00 per person per night for a twin tent and USD 5.00 per day for self-camping. The Zambezi Waterfront employs the services of 71 permanent staff members. A river cruise is launched from the Waterfront and reservation facilities are available for all adventure tourism and leisure tourism activities.

## **Riverside Lodges and Camps**



- Tongabezi Lodge and Islands

Tongabezi was established in 1989 and is syndicate owned. Tongabezi has 9 double luxury lodges (18 beds) all river facing and designed to blend in with the environment. Each lodge is designed differently especially to give a feeling of outdoor living with an unspoilt view of the Zambezi River. Tongabezi Island has 4 lodges (8 beds). The rack rates are USD 320.00 and USD 370.00 per person per night all-inclusive meals, drinks and activities. Tongabezi Island is USD 260.00 per person per night. The average length of stay is 2.7 days and the average room occupancy rate over the year is 27%. Tongabezi employs 87 permanent staff. The main supply markets are 55% American (dropped to 35% in 2002 mainly the effect of September 11) followed by the UK, Australasia and Germany. For marketing the establishment they make use of overseas sales agents, brochure distribution, interactive website and networking. They attend Indaba in South Africa, WTM in the UK and ITB in Germany. They produce a very practical fold up brochure containing a CD Rom disc with all the relevant information for the travel trade.

- The River Club

The up market River Club was established in 1997 and has 10 rooms with a total of 20 beds. The rack rate is USD 330.00 per person per night fully inclusive. The average length of stay is 2.4 nights and the average occupancy rate 50%. The Club employs 50 permanent staff. The owner/manager, Peter Jones, claims that every employee supports about 10 other members of the extended family. The River Club is marketed exclusively by Wilderness Safaris in South Africa who handle all the reservations. They are very satisfied with the results.

- African Queen Cruise Company and Batoka Sky

This 120-seat luxury river cruise boat was launched in May 2001. Based on the average to date, the projections are 15,000 passengers a year (about 1400 per month). The passengers are 30% local and 70% foreign tourists. The owner Daan Brink is the previous Chairman of the Livingstone Tourism Association. He says the license fees and entry fees are exorbitant. He claims he has to pay about USD 15,000 a year to fly over the Victoria Falls and National Parks with Batoka Sky 'flight of the angels' two-seater micro lights.

- Other Activities

Other activities include the enterprise, Safari Par Excellence, which offers river cruises, white water rafting, upper Zambezi canoeing, tandem kayaking, river boarding, Chundukwa horse trails, abseil Zambia, jet extreme, bungi jumping, helicopter flights, micro light flights, fixed wing flights, parasailing, elephant back safari, game drives, cultural village tour, and fishing safaris. Overall, with the exception of snow skiing, the Victoria Falls can rival everything that New Zealand has to offer in terms of adventure tourism and with a much better all-year round climate.

### 5.3.3 Economic Impact Assessment

The true value of tourism to the City of Livingstone has not been calculated. A figure quoted by a number of people interviewed put the value at between USD 650,000 in off peak season to USD 5 million in peak season. Taking an average of USD 3 million revenue per month generated in tourist receipts would suggest that tourism is worth at least USD 36 million per annum. But the impact of the wider tourism economy has never been calculated. Information supplied by the Ministry of Tourism showed that nearly 230,000 visitors passed through the various border posts or arrived at the Livingstone International Airport in 2001. It is assumed that most of these visitors would have either passed through Livingstone or stayed at least one night.

If such figures are correct, then in 2001 some 490,000 visitors arrived in Zambia and spent a total of USD 117 million. This equates to an average spend of nearly USD 240 per visitor. 230,000 arrivals in Livingstone multiplied by USD 240 equates to a total spend of USD 55 million depending on how long each visitor stayed and therefore how much they spent. These statistics are not available for Livingstone. A rough estimate is that Livingstone now has about 2000 available beds for tourists not counting private homes. This figure of 2000 beds per month at an average occupancy rate of 40% would mean that some 24,000 bed nights are sold every month. At an average of USD 20 per bed night sold, this would generate nearly USD 500,000 per month in accommodation revenues alone.

The average bed night sold will increase as the impact of high yield tourist spending at the Sun International (SI) hotels ripples through the economy of Livingstone. The SI hotels at the Falls offer nearly 800 beds. To date guests stay at the hotels for an average of 2 nights. The average spend per guest including meals is about USD 300 per day not counting the expenditure on leisure activities. If one takes into consideration the average price of the various activities then very few SI guests would spend less than USD 100 per day. Therefore a ball park figure is that the average SI guest would probably spend not less than USD 400 per day during their visit. If the SI hotels were operating at a 40% bed occupancy rate then the hotels would host some 320 guests per day. 320 guests per day spending USD 400 per day would generate USD 128,000 per day or USD 47 million per annum.

Although the above calculations are rough estimates, it is not unreasonable to project that the value of tourism to the City of Livingstone in tourist receipts could be worth USD 100 million in the next five years. The achievement of this expanded tourism revenue requires increasing the bed stocks, the average length of stay, average spend per visitor and by improving the occupancy rates. It is imperative therefore that accurate visitor statistics are maintained from which performance can be measured. This task will require cooperation between the public and private sectors. Government officials need to work closely with the private sector operators and this partnership needs to be based on a foundation of trust. Currently, however, there is a high level of mistrust mainly due to the heavy imposition of taxes on the travel & tourism industry by the

government and the relatively poor distribution of important documents such as the Zambia Tourism Development Framework, the National Tourism Policy and ZNTB Marketing Strategy.

As a critical contribution of tourism in Livingstone is towards job creation, a separate assessment was undertaken of the current situation. Table 15 presents the findings from the field survey in Livingstone.

**Table 15: Investment to job creation ratio**

	Company	Investment Amount USD	No. of Zambians Employed
1	Sun International Hotels	USD 56 million	323
2	Across Africa Overland	USD 400,000	8
3	African Horizons	USD 300,000	16
4	Angle Zambia	USD 30,000	5
5	Batoka Sky	USD 620,000	30
6	Bundu Adventures	USD 280,000	55
7	Bushtacks Africa	USD 276,000	22
8	Bwaato Adventures	USD 225,000	21
9	Chundukwa Adventure Trails	USD 200,000	13
10	Gwembe Safaris	USD 100,000	30
11	Jet Extreme	USD 250,000	16
12	Kiboka Zambia	USD 800,000	28
13	Kubu Crafts & Kubu Cabins	USD 500,000	56
14	Makora Quest	USD 375,000	9
15	Maramba River Lodge	USD 300,000	46
16	Mawala Lodge	USD 150,000	11
17	Monomotapa Car Hire & Tours	USD 100,000	10
18	Mtika Business Investments	USD 42,000	17
19	Ngolide Lodge	USD 150,000	22
20	Outlook Africa t/a & Islands of Siankaba	USD 700,000	40
21	Rapid Fire	USD 56,000	12
22	River Monster	USD 12,000	9
23	Safari Par Excellence	USD 300,000	30
24	Shungu Mufu	USD 350,000	40
25	Shungu River Lodge	USD 250,000	31
26	Songwe Village	USD 548,000	15
27	Star of Africa	USD 500,000	30
28	Taita Falcon Lodge	USD 283,000	20
29	The River Club	USD 1,2 million	40
30	Thorntree Lodge	USD 700,000	14
31	Tongabezi Lodge & Islands	USD 1,7 million	79
32	Touch Adventures	USD 100,000	28
33	Victoria Falls River Safaris	USD 90,000	7
34	Victoria Falls Safari Express	USD 15,000	6
35	Wildside Tours	USD 282,000	6
36	Zambezi Royal Chundu	USD -	32
37	Zambezi Waterfront	USD 2,5 million	60
38	Zambezi Tours Ltd	USD 35,000	6
	<b>TOTAL</b>	<b>USD 70,7 Million</b>	<b>1,243</b>

The analysis discloses that the investment to job creation ratio is that 1 job is created for every USD 56,880 of investment in tourism. However, if the statement made during the interviews is correct, then 1,243 permanent jobs will support 12,430 other members of the extended families. Put another way, USD 56,880 of investment in tourism infrastructure will impact on the lives of 12,430 people.

### **Constraints on Livingstone's Tourism Economy**

The overriding complaint of the private sector product owners is consistent i.e. over taxation and heavy licensing fees are killing the industry. Some product owners have stated quite categorically that if they are taxed any more then they will seriously consider packing up their businesses and going elsewhere. The Livingstone Tourism Association speaking on behalf of its members said that visa fees, operating license fees and the high cost of fuel was preventing them from being competitive (*Travel News Now*, 13/09/2002). The input costs of Zambian operators are considerably higher than those faced by operators in competitor countries (see Table 16) and in some cases three to four times more expensive. LTA claims that on average for every USD 100 of input costs faced by an operator in Zimbabwe or Botswana, the Zambian operator pays USD 300.

The question is how legitimate are these complaints? Also, to what extent will a substantial increase in turnover substantially reduce the overheads and increase viability. First, it is worth assessing the statements that have been made by the product owners and those that have been reported in the media:

- The Zambian Government raised the Mosi-oa-Tunya National Park entry fee from USD 3 to USD 10 (*Travel News Now*, 01/06/2001) without consulting the industry stakeholders
- The Zambian Government raised the Livingstone Airport's landing fees to charter operators from USD 25 to USD 255 an increase of almost 1000% (*Travel News Now*, 24/05/2001) without consultation
- The Zambian Government increased the visa costs. All day visitors crossing from Zimbabwe to Zambia have to pay a day visa fee of USD 10 to enter Zambia and an entrance fee of USD 10 to see the Victoria Falls
- The entrance fee to see the Victoria Falls was increased by 230%

**Table 16: Selected cost comparisons with neighbouring countries**

COMMODITY	ZAMBIA	BOTSWANA	ZIMBABWE
Petrol	USD 1.40 per litre	USD 0.37 per litre	USD 0.21 per litre
Bottle of South African Wine	USD 12.00	USD 2.00	
International Telephone Calls	USD 3.00 per min	USD 0.88 per min	USD 0.12 per min
Corporation Tax	35%	25%	30%
Tourist Enterprise License	USD 550 p.a.	USD 200 p.a.	USD 4 p.a.
Hotel License	USD 764	Nil	Nil
Hotel Managers License	USD 102	Nil	Nil
Boat Operators Fees	USD 6000	USD 250	USD 1818
VAT/GST	17.5%	10%	15%

*Source: Livingstone Tourism Association*

Two other barriers which are critical success factors and which have been a constraint to tourism growth and development in the SADC countries are the issues around implementation capacity and designing the appropriate structures to drive strategic plans. Millions of dollars are spent every year employing the services of consultants to prepare strategic plans but very little is spent on building the capacity of the implementing agents in terms of their knowledge of the industry and technical skills.

Another critical need is to build the capacity of local tourism organizations, most importantly, the local tourism association.

The *Livingstone Tourism Association* (LTA) was established in 1995 and has 64 paid up members. It is a membership driven organization that aims to promote tourism in Livingstone and the Southern Province. In this regard LTA has taken on the responsibility of provincial, regional and local tourism development and promotion but it does not have any authority. Membership fees range from USD 20 for a small business to USD 200 for a large corporate organization.

LTA is viewed as an 'action oriented' organization and has gained support and recognition from both local and central government through partnership programs working on particular projects. LTA has a Code of Ethics and a Constitution in line with what is expected of such an organization. *The Mission is to become the gateway of Southern and Central Africa, and to ultimately become one of the top ten destinations in the world.* This might seem like a lofty ideal but considering that two world famous icons, the mighty Victoria Falls and the majestic Zambezi River, are right at the very doorstep of Livingstone it is not unrealistic. The Strap Line designed to promote the City of Livingstone is creative and reinforces the historic meeting between Stanley and Livingstone i.e. *“Real Africa in the spray. Livingstone, I presume' is where to stay.”*

The LTA has been proactive in preparing position papers and lobbying central and local government on a number of important issues impacting on tourism growth and development. A Work Program is prepared every year and they keep a record of their key activities. LTA has striven to strengthen a partnership approach with the Minister of Tourism and the Zambian National Tourist Board. They have often been frustrated in their attempts to put a strong case forward for the deregulation of the industry. They simply want to create an opportunity for wider

consultation with Government and the relevant authorities in order to work out together the best solutions to the numerous problems inhibiting the growth and development of the industry.

## SWOT Analysis of Livingstone Tourism

The findings of a SWOT analysis on the current Livingstone tourism economy are presented in Figure 4.

**Figure 4: SWOT Analysis of Livingstone tourism**

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• Victoria Falls (World Heritage Site) and Zambezi River are two international icons</li> <li>• Untapped potential to develop tourism</li> <li>• Wealth of natural resources</li> <li>• Friendly people</li> <li>• Wide range of accommodation types</li> <li>• Good range of small, but intimate safari lodges and camps that cater for the exclusive retreat market</li> <li>• 19 National Parks and 34 Game Management Areas</li> <li>• World class sport fishing and safari hunting</li> <li>• Top quality adventure tourism products</li> <li>• There has never been a war in Zambia and the 73 tribes coexist in peace and harmony</li> <li>• Rich and diverse cultural heritage displayed in rural villages, museums, heritage sites and buildings, traditional ceremonies, etc</li> <li>• Sun International resorts will increase exposure in international markets</li> <li>• Sun International resorts will facilitate the growth of group tours and create opportunities for combination packages e.g. fly-drive, accommodation and activities.</li> </ul>	<ul style="list-style-type: none"> <li>• High cost destination</li> <li>• Lack of institutional capacity</li> <li>• Lack of implementation capacity</li> <li>• Over regulation (taxation) of the industry</li> <li>• Tourism packages not competitive</li> <li>• Poor management of National Parks and Game Management Areas</li> <li>• Poor standard of hospitality training</li> <li>• Access problems e.g. airport runway needs to be extended and road conditions poor to tourist attractions</li> <li>• Cannot equate star grading &amp; classification system with price and value. No criteria for the grading and classification of accommodation establishments</li> <li>• No National air carrier and international flights from only a few limited markets</li> <li>• Poor domestic and international telecommunications</li> <li>• Lack of accommodation in key rural areas to stimulate and spread tourism growth to poverty areas</li> <li>• Limited visitor entertainment facilities in main centres</li> <li>• Poor database of relevant visitor statistics and tourist flows</li> <li>• No visitor information centre network</li> <li>• Small and fragmented tourism industry</li> <li>• Inadequate funding for marketing</li> </ul>
• OPPORTUNITIES	• THREATS
<ul style="list-style-type: none"> <li>• Attract investors by commercializing the development of protected areas</li> <li>• Establish a one stop shop and develop incentive packages to attract investors</li> <li>• Scope to increase the volume of tourists</li> <li>• Increase the length of stay by offering more things to see and do</li> <li>• Develop regional combination packages e.g. Cape Town, Livingstone and Dar es Salaam</li> <li>• Relatively unspoilt tourist destination</li> <li>• appealing to niche markets</li> <li>• Livingstone has the potential to become a Gateway to Central and Southern Africa</li> <li>• Lengthen the runway at the Livingstone international airport</li> <li>• Ideal location for films and TV programs</li> </ul>	<ul style="list-style-type: none"> <li>• Negative perception of Zambia because of the Zimbabwe situation</li> <li>• High prices limiting tourism growth</li> <li>• Punitive visa fees and other taxes a deterrent to visitors</li> <li>• Increased competition from Zimbabwe if travel &amp; tourism industry recovers</li> <li>• Government taxes and fees impacting negatively on tourism businesses</li> <li>• Reduction in wildlife resources as a result of poaching and inadequate conservation</li> <li>• Fear of health and security risks e.g. malaria, AIDS and contaminated water</li> <li>• Lack of international market exposure</li> <li>• Increased competition from other SADC countries e.g. Tanzania</li> </ul>

#### 5.3.4. OUZIT

A regional initiative that potentially in the long-term could expand massively the tourism economy of Livingstone is the so-termed OUZIT or the Okavango/Upper Zambezi International Tourism Initiative, part of the Regional Spatial Development Initiatives Programme, which is coordinated by the Development Bank of Southern Africa (DBSA). Initially OUZIT was conceptualised in 1993 as a wildlife sanctuary to be located within the Okavango and Zambezi wetlands, comprising 260 000 sq.km. in Angola, Namibia, Botswana, Zambia and Zimbabwe. A growing realization of the links between tourism, conservation and resource management combined with an increasing focus on regional planning through NEPAD initiatives resulted in a wider focus on OUZIT as a driver of regional economic growth, employment and inward investment. The widened OUZIT is seeking to develop comprehensive Southern African Development Zones which would include on a phased basis, Angola, Botswana, Namibia, Zambia, Zimbabwe, South Africa, Malawi, Swaziland, Lesotho, Mozambique and Tanzania. At a meeting of SADC Ministers in Luanda April 2001 OUZIT was adopted as a Regional Project which is implemented through a Project Management Unit at DBSA. OUZIT is now viewed as “an economic dynamo for Southern Africa” and more especially for tourism-led economic development (KPMG, 2002).

A clear focus of the OUZIT Project is the potential of the area to deliver a better co-ordinated tourism product than is possible by the individual countries on their own. The OUZIT is driven by recognition of the highly competitive nature of international tourism markets and of the need to develop a set of quality tourism products of sufficiently high standard to attract high-paying foreign-visitors. One element of OUZIT is the identification of key wildlife destinations as ecotourism hubs at which appropriate infrastructure is established and proper management and marketing be implemented. The identification of these ecotourism hubs as foci for destination development is linked to the establishment and development of a set of Transfrontier Conservation Areas (TFCAs) as means to enhance biodiversity and ecosystem conservation across international boundaries and as focal points for tourism development and regional cooperation within the frameworks of SADC and more broadly of the New Partnership for Africa’s Development (NEPAD). It is agreed that TFCAs can serve as the anchor hubs for ecotourism and related development within the SADC region (Blueprint Strategy and Policy, 2002).

Of the 22 existing or potential TFCA sites that have been identified one of the most important is the Okavango-Upper Zambezi area, which is described as a Tran frontier Zone. Although there are as yet no formal agreements by any of the Governments or their agencies, a number of cross-border development initiatives in this area have already been launched. The Okavango-Upper Zambezi TFCA Zone includes at its center the confluence of the Chobe and Zambezi rivers where the borders of Botswana, Namibia, Zambia and Zimbabwe meet, incorporating the Victoria Falls World Heritage Site and the Mosi-oa-Tunya National Park. The full tourism potential of this area

is viewed as “still largely unrealized” and it is argued that the Zone “could become one of the biggest destinations for overseas tourists in Africa” (Hall-Martin and Modise, 2002). Moreover, the “expected increases in tourism traffic, and therefore of job creation hold great promise for economic development”. Livingstone, which is situated geographically at the center of this TFCA, potentially stands to become a major beneficiary of these wider developments that are gaining momentum for the TFCA region as a whole.

Currently, a variety of initiatives are promoting tourism developments and community-based natural resource management in the Okavango-Upper Zambezi Zone (Hall-Martin and Modise, 2002). In addition to the OUZIT project there is the Four Corners Project being implemented by the African Wildlife Foundation for USAID. The Four Corners Project is aimed at supporting the process of communities managing shared trans-boundary natural resources and conservation by facilitating increased cooperation among stakeholders.

Of greatest long-term significance for the Livingstone economy, however, is the opportunities for greatly expanding the local tourism economy in relation to the central focus of OUZIT upon “delivering the scale of project that will make Southern Africa a global tourism player and create an environment thereby for different scales of tourism project development across the Southern African region” (KPMG, 2002). The OUZIT project is based upon a number of critical assumptions:

- Tourism is a regional target sector that has the potential to positively impact upon job creation and poverty alleviation
- Southern Africa has the physical tourism product portfolio to provide tourism global advantage
- The existing tourism product portfolio is based on niches and is currently ‘not good enough’ in an era of globalisation and consolidation

From the perspective of OUZIT the critical missing element in the tourism economy of the region of Southern Africa is large-scale beach tourism. The OUZIT project therefore aims to develop a number of large anchor projects based on beach tourism and link these to additional value added product lines such as ecotourism or adventure tourism. OUZIT is geared to focus on delivery of linkages from a product, infrastructure and market perspective in a manner that will make the Southern African region globally competitive for large-scale tourism flows in competition with destinations such as Australia, Florida, Thailand and Dubai. From the planned gateways of the anchor beach resort developments planned in Mozambique and Tanzania tourism flows will be channeled through the regional air network to other tourism destinations, including the icon of Victoria Falls.

The long-term potential benefits of the ambitious and visionary OUZIT project are enormous for Livingstone. The projected performance targets of OUZIT are as follows:

- delivery of US \$100 million investment projects within 2 years of inception
- delivery of US \$500 million investment projects within 5 years of inception



- delivery of US \$1.5 billion of investment projects by 2010
- delivery of 15 destination resorts of US\$100 million each by 2010
- facilitate project development that will attract 17 745 new tourists to Africa per day (Equivalent to 60 charter flights per day)
- create direct tourism employment of 90 900 people
- provide an estimated US \$1.1 billion in fiscal revenue (KPMG, 2002).

The OUZIT project is targeted as pivotal to the delivery of initiatives such as NEPAD. It draws tourism development into the heart of NEPAD and provides a necessary project and defined market focus for programme development.

**Overall, it is evident that considerable opportunities exist for the further growth and deepening of the tourism economy in Livingstone. The tourism sector both in Livingstone and Zambia is still relatively undeveloped and tourism is likely to consolidate its status as economic driver for the long-term development of the urban economy and of the hinterland of Livingstone.**

## **5.4 The Secondary Sectors**

In this section a brief analysis of the two minor sectors of trade and construction and of their potential role in the economic development of Livingstone.

### 5.4.1 Trade

Given its strategic border location, the trade, transportation and warehousing sector should be one of the most vibrant elements of the Livingstone economy. The trade economy in the city is comprised of a small formal component, which includes a number of freight forwarding agencies, transport enterprises and export-import organizations. The largest element in the trade economy, however, is represent by the estimated group of 3000 cross-border traders.

A recent study conducted by ZAMTIE showed that as a result of the parallel market exchange rate that prevails in Zimbabwe, the trend is for formal trade to decline as the informal trade has dramatically increased. The ZAMTIE study identified the existence of the parallel exchange rate as the source of all problems experienced in formal trade and by formal trade enterprises. Moreover, it was disclosed that many formal enterprises do not directly export to regional markets due to the parallel exchange market and the blossoming informal cross-border trade (Simumba *et al*, 2002).

The formal trade economy in Livingstone is therefore depressed: details of the informal cross border trade are discussed in terms of the small enterprise economy.

### 5.4.2. Construction

Recently, two major construction projects were undertaken in Livingstone, these are the construction of the Sun Hotels and the rehabilitation of the terminal buildings and the runway at the Livingstone International Airport. Mostly contractors from outside of Livingstone were engaged to undertake these projects mainly because local contractors are small and financially weak. Local contractor participation was confined to minor subcontracts.

Road rehabilitation work in the recent years has also provided opportunities but these too have mostly been awarded to contractors from outside Livingstone. Local contractors have been disadvantaged by lack of working and investment capital. The local financial institutions are reluctant to lend and besides the high interest rates are prohibitive.

Local contractors have been active in housing construction including construction of tourism lodges. In the last three years there has been an increase in house constructions partly as a result of increased number of retirees investing their terminal benefits in houses and also investment in houses by Zambians working in neighboring states in the Southern Africa region.

Overall, it is apparent that there is a shortage of construction-related skills in Livingstone, for example during the construction of the Sun Hotels carpenters and bricklayers were recruited from as far as Mazabuka and Lusaka. The shortage of skills is partly a result of the high death rate as a consequence of the high prevalence of the HIV/AIDS estimated at 31 percent being the highest prevalence rate in Zambia. Another factor is the relatively poor performance and condition of the Livingstone Trade and Training Institute.

Generally, the poor economic environment in Livingstone has depressed activities in the construction sector. An upturn in the fortunes of construction will occur in relation to an upswing in the formal economy of Livingstone as a whole.

**Overall, the two sectors of trade and construction are minor components in the present-day economy of Livingstone. Although there are moderate opportunities for further development, a number of important limitations are hindering the competitive potential and growth of formal enterprise across these two activities.**

## **5.5 The Small Business and Informal Economy**

In this section a discussion is presented of the situation of the small business and informal economy. An examination of the national situation is followed by a situation analysis and profile of the small business and informal economy in Livingstone.

### 5.5.1 The National Situation

There is relatively little accurate information available of the national situation concerning Zambia's small business and informal economy. Indeed, it is surprising that the small business and informal economy is not discussed as a cross-cutting issue in either the national PRSP or TNDP documents. Although some scanty information is available for micro-enterprises and small enterprises, a recent national investigation stressed it is extremely difficult to obtain data to illustrate the scope and character of the informal sector in Zambia (IMCS, 1996 and IMCS, 2001).

From the existing sources the following national profile and characteristics of the small business and informal economy of Zambia may be noted.

- The size of the small business and informal sector is substantial. Using the GEMINI methodology one study disclosed that there are approximately 373 400 such small enterprises in Zambia outside of the agricultural sector.
- The employment contribution of this sector is substantial, with national estimates of around 700 000. Estimates for employment in the informal sector are of at least 2 million.
- Incomes though are low as a result of the highly competitive environment.
- The largest segment of small and informal businesses are engaged in small-scale trading or retailing activities
- The small business and informal economy is a crucial sphere for women's employment and for female entrepreneurship opportunities. In addition, the informal economy is an increasingly important sphere for youth employment opportunities.
- Considerable 'churning' takes place in this economy with a high birth and high death rate of enterprises.
- The majority of participants in the micro-enterprise and informal economy are operating out of necessity rather than choice.
- The growth in numbers of this economy is therefore linked to households and individuals seeking opportunities for survival in the wake of the failure of the economy to provide sufficient opportunities for formal employment.
- The institutional environment for assistance to the small enterprise and informal economy in Zambia is weak. Although there are a number of government programmes for support and support structures operated by donors and NGOs, in general there is often low awareness of these programmes by small entrepreneurs and a general lack of coordination of institutional support structures.
- For small businesses, a major blockage for growth is that entrepreneurs often lack necessary business and technical skills. Common problems include lack of capacity to access finance, high utility costs and lack of management skills.
- Lack of demand or market access is a fundamental constraint that is identified in surveys of problems of micro-enterprises. This lack of demand is linked to the generally poor state of consumer confidence and purchasing power in Zambia's economy as a whole

- Another critical constraint on the expansion of many small businesses is that of access to finance or credit. In general, the commercial banking system in Zambia is not equipped with the technical know how of lending to the small enterprise economy
- Finally, for manufacturing small enterprises, specific additional constraints emerge in terms of absence of appropriate premises and access to tools, machinery and equipment.

### 5.5.2 Livingstone's Small Business and Informal Economy

There is no accurate data or any complete survey that has been undertaken on the small business and informal economy in Livingstone. Some information on the problems facing small business enterprises in Livingstone is available through a limited survey that was undertaken during 2001 by IMCS (2001). For the informal economy, reliance is placed upon the results and findings from our interviews in Livingstone. The discussion in this section examines the situation concerning small business development, cross-border trading, small-scale industrial development and urban agriculture

From these sources the following profile and situation analysis of the Livingstone small business and informal economy is presented.

- The small business and informal economy is the largest sector of employment in Livingstone.
- Estimates provided by the District Business Association of Livingstone (DBA – Live), the chamber of commerce and industry for the small scale businesses. The association, suggest that there are approximately 6,000 people engaged in the informal economy in Livingstone. Of this number, an estimated 3,000 are cross-border traders. The approximate distribution of non-cross border informal operators is that 1000 are retailers, 1000 are engaged in a range of service activities and 1200 are involved in production-related or manufacturing activities, including handicrafts.
- In common with the national situation, a survey of small business entrepreneurs in Livingstone during 2001 disclosed that their most common problems and constraints related to difficulties in accessing finance for working capital and capital investment, the high costs of inputs and in some cases, problems of lack of training in business management (ICMS, 2001).
- In common also with the national profile, the majority of Livingstone informal sector business entrepreneurs are operating at survival level. This is so because of lack of markets, lack of information and lack of access to finance.
- The large group of cross-border traders is a major source of merchandise for most of the Asian owned shops in Livingstone. Among the items imported are:

- Soaps and detergents
- Cement
- Sugar
- Milk
- Eggs
- Clothes
- Blankets
- Cooking oil
- Soft drinks (Manzoe, Cocacola etc)
- Liquor

\* Although cross-border trading occurs with all surrounding countries, the major element of the cross border trade in Livingstone is that which is conducted between Zambia and Zimbabwe. Because of the existence of parallel exchange rate in Zimbabwe and the fact that the cost structure is more competitive in Zimbabwe, products from Zimbabwe have for a long time been very attractive to Zambian consumers<sup>2</sup>. Recently, the Zambian Government under pressure from local manufacturers banned fourteen specified products from entering Zambian market. This has left only five products that could be imported, namely, biscuits, manzoe soft drink, clothes, bathing soap and alcohol. In addition, while this study was being undertaken the Zambian Government introduced further control measures by introduction of calculation of customs duty using a parallel exchange rate.

\* Cross-border traders have reacted strongly against Government moves to curtail their business. This Government decision, albeit necessary to protect local formal enterprises, in the short term will worsen the economic environment in Livingstone as more people will join the ranks of the open unemployed and consequently poverty levels will increase.

\* Amongst the constraints faced by cross-border traders are Government controls in Zambia and the neighbouring countries, harassment from customs officers and other security personnel at the border and harassment from immigration officers.

\* A small group of relatively more successful cross border traders (estimated at 200 to 300 people) have developed trade export markets for Zambian products. The main products exported are:

- Second hand clothes to Botswana and Zimbabwe
- Cigarettes to South Africa
- Agricultural produce (rape, cabbages and tomatoes) to Botswana mainly for Lodges in the Kasane area
- Medicated beauty creams and soaps to Namibia

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<sup>2</sup> For example Cocacola in Zimbabwe cost an equivalent of K400 compared to K1,400 in Zambia.

\* Cross border traders face several constraints among them bans and controls, for example cigarettes and medicated beauty creams are banned in some countries and controlled in several countries. In addition, traders in agricultural produce require permits that are not easily accessible as they can only be obtained from Chilanga in Lusaka. The quality of local products is generally considered to be low which has constrained trade expansion.

- Cross-border traders are unable to access loan facilities from commercial banks as the banks perceive traders to have no collateral to offer as security for the loans. In addition, the existing high lending rates are also prohibitive. Presently, cross border traders obtain loans from micro-finance institutions operating in Livingstone, namely, CETZAM Opportunity Microfinance Limited, PRIDE, FINCA and CARE Prospects. As these micro-finance institutions are targeted at the lower end of the finance market, a gap exists in the middle range market for finance.
- There are about 1,200 persons engaged in informal manufacturing activities in Livingstone. The handicrafts sector is dominated by curios makers, about 1000 persons are involved in curio making and trading. Although it is common that the curio makers are also often the traders, there are cases in which a degree of specialization has been introduced. These micro enterprises engaged in craft production on average involve a group of four persons working together; one person specializes as a wood cutter, a second as a wood carver, a third as a wood polisher and the fourth as salesman. Such specialization has been introduced in order to enable these groups to secure large orders.

\* The curios and handicrafts industry has a comparative advantage in Livingstone because of the availability of local hard wood and the growing tourism industry. The potential has not been fully exploited. The handicraft industry faces a number of constraints and its potential will be linked also to the spin-offs of growth taking place in Livingstone's tourism economy. The realization of full potential is constrained, however, by lack of financial services, inadequate or inappropriate working space, lack of equipment and machinery, lack of technical and business skills.

\* Finally, in terms of informal production activities, there are about 200 carpenters making furniture and fixtures. Most of these informal manufacturers have had no formal training and use rudimentary tools. The major constraints are, once again, the lack of appropriate equipment, machinery and appropriate working space.

**Overall, as a result of its dominance in terms of the employment and enterprise profile of Livingstone, the small business and informal economy is a major sphere for policy and strategic intervention. There are certain limited opportunities for 'graduating' enterprises and encouraging expansion and growth from informal or micro-enterprise to small business. Nevertheless, the mass of the informal enterprise in Livingstone must be viewed as of a survivalist character and a strategic sector on grounds of addressing poverty alleviation.**

## **5.6. Urban Agriculture**

In this section we examine the situation concerning the practice of urban agriculture. The national situation is reviewed prior to analyzing the state of urban agriculture in Livingstone

### **5.6.1. The National Situation**

There are no national official statistics on the extent, size and significance of urban agriculture in Zambia. Nevertheless, in the national report prepared on Living Conditions in Zambia - 1998 it was stated that “a substantial proportion of urban households” were engaged in agriculture with an estimate of 33 percent of all urban households involved in cultivation.

There exists a body of investigations which have been conducted in various centers of the country concerning the activities of urban farmers in Zambia. What this research on urban cultivation in Zambia discloses is a number of important points:

- Urban cultivation is a relatively common activity which takes place, particularly in and around the low-income residential areas. The estimates for Lusaka suggested that approximately 60 percent of all households in low-cost housing areas of the city have urban gardens.
- Generally, there are two types of cultivated area: (1) plot gardens in the back and/or front yard, which is cultivated all year around, and (2) rainy season gardens which are usually located on the periphery of the city since there is no other source of water in these areas.
- A wide range of crops are grown in Zambia’s urban areas with maize being the most common; other important crops include beans, ground nuts and pumpkins.
- Urban households produce an estimated 12 percent of total maize production (1998)
- Urban cultivators are not new arrivals into Zambia’s cities; in Lusaka more than 60 percent of households who cultivate plot gardens had lived in the city for at least five years prior to beginning cultivation activities.
- As there are few formal sector job opportunities for women in Zambia’s cities, urban agriculture is a major activity for women.
- The need for cultivation is guided by the logic of survival. Urban agriculture is seen as primarily a coping strategy which is adopted by households whose monetary incomes are insufficient for purchasing adequate amounts of food.
- Insufficient income is a primary reason for the practice of urban cultivation
- Low-income households cultivate food predominantly for purposes of self-consumption; only a minority of households sells part of their produce from their gardens.
- As a survival strategy, urban cultivation is probably most important for Zambia’s urban poor since it provides food, a basic necessity of life.

- Urban cultivation is viewed as holding considerable potential for further support and development and of special importance in terms of the long-term sustainable development of Zambia's cities.

Despite these findings concerning the potential for supporting urban households, municipal attitudes towards urban cultivation in Zambia have not always been positive. It has been argued that to a large extent urban agriculture has been ignored or sometimes penalized by local authorities and administrators, often because it has not been generally recognized as a productive activity. As a consequence, urban agriculture is often marginalized in local planning such that plans and planning as a whole excludes rather than integrates urban agriculture.

#### 5.6.2. Urban Agriculture in Livingstone

From the interviews the best estimate is that 50 percent of the Livingstone City households currently are engaged in urban agriculture as an informal sector activity. The major focus of urban agriculture is upon poultry and vegetable production under back yard irrigation. In addition, during the rainy season most residents grow maize in their backyards or any open space in and around the city. The situation in Livingstone is therefore a mirror of the national picture concerning urban agriculture.

- The majority of urban farmers are women. In general, the practice of urban agriculture is undertaken as a survival coping mechanism especially among the poor in the townships.
- Urban agriculture, if properly managed, has the potential to improve household food security, nutrition, and thus positively contribute to the efforts against poverty.
- Nevertheless, at present, urban agriculture in Livingstone is beset by several critical constraints amongst the most important are municipal zoning laws under which it is deemed illegal to undertake farming in residential areas. Although this legislation is not effected, the zoning regulations constrain increased production because of a fear that the local authorities could decide to destroy crops or poultry on the grounds that the activity is being undertaken in a wrong place and therefore is 'illegal'.
- Another important constraint on improving productivity and output is the high cost of inputs such as stock feeds, fertilizers and veterinary supplies which have constrained both output and quality of products from the community of poor urban farmers.
- Urban farmers have enjoyed limited access to the extension services at the Ministry of Agriculture and Cooperatives district office because of lack of information on the existence of such services and lack of a deliberate policy to assist such farmers. This lack of extension services, for example, has increased crop and livestock losses as a result of diseases and further increased the cost of producing crops under backyard irrigation



because of inappropriate use of water. It was observed in the interviews that some urban farmers use water excessively thus increasing their costs of production.

- A final set of constraints on urban farmers is that whilst many farmers produce a surplus beyond that used for household consumption, the farmers experience problems in selling that produce due to lack of information on markets or problems in access to markets. Once again this acts as a factor discouraging enhanced production activity amongst urban farmers.

**Overall, because of its critical role in poverty alleviation and of the widespread nature of urban cultivation in Livingstone, it is argued that urban agriculture must be a strategic focus for policy intervention, particularly in terms of expanding productivity, output and local incomes.**

## 6. PRIORITIES AND DEVELOPMENT STRATEGIES

What emerges from this extended analysis of the core sectors of Livingstone's economy is a foundation for determining a set of priorities and strategies for moving forward in terms of directing implementation projects for supporting the future economic development of Livingstone. At the outset, it is worth re-iterating that **the core overriding goals are to identify a set of strategies that would enhance job creation, economic diversification and restore economic vibrancy to Livingstone**

In this section two sets of material are presented which relate to (1) identifying priority sectors, and (2) identifying a set of priority strategies that might guide the future economic development of Livingstone.

### 6.1. Identifying Key Sectors for Targeting

In terms of prioritizing sectors for intervention and future development in the city, it is useful to analyse and rank different sectors and activities on the basis of two criteria. The rankings are in terms of high, medium and low. The first criteria are that of **growth performance** which is indexed in terms of contribution to recent (1992-2002) net employment growth in Livingstone. The second is an index of **competitive potential** which seeks to evaluate and assess the potential for competitiveness of the sector or activity within the national and international economy. The competitiveness rankings were assessed on the basis of our interviews conducted in Livingstone, Lusaka and Johannesburg which, together with a mass of documentary sources, offer a basis for interrogating and profiling local, national and regional competitiveness.

Figure 5: Livingstone Development Matrix

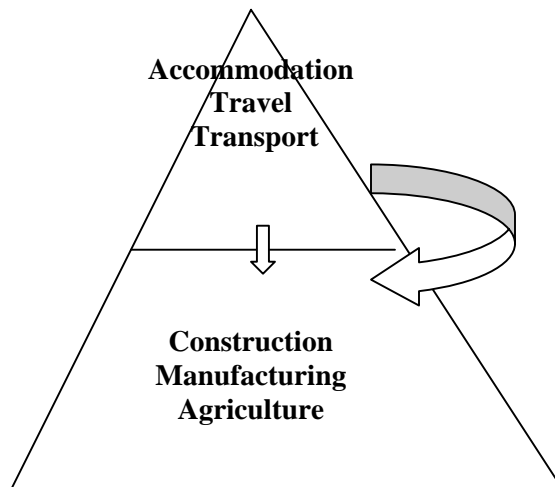
		Competitive Potential		
		HIGH	MEDIUM	LOW
Growth Performance	HIGH	<ul style="list-style-type: none"><li>• Tourism</li></ul>		<ul style="list-style-type: none"><li>• Small-scale Sector</li><li>• Urban Agriculture</li></ul>
	MEDIUM		<ul style="list-style-type: none"><li>• Agriculture</li><li>• Trade</li></ul>	
	LOW	<ul style="list-style-type: none"><li>• Agro-Industry</li></ul>	<ul style="list-style-type: none"><li>• Construction</li><li>• Export Manufacturing</li></ul>	<ul style="list-style-type: none"><li>• Import Substitution Manufacturing</li></ul>

Upon the basis of the two sets of rankings the sector or activity is placed in the development matrix (Figure 5) as an indication of its potential for prioritisation. The rankings and assessments of the different activities in Livingstone's economy are as follows:

- Tourism: Growth Performance HIGH; Competitive Potential: HIGH
- Agro-industry: Growth Performance LOW; Competitive Potential: HIGH
- Agriculture: Growth Performance MEDIUM; Competitive Potential: MEDIUM
- Trade: Growth Performance: MEDIUM; Competitive Potential: MEDIUM
- Construction: Growth Performance: LOW; Competitive Potential: MEDIUM
- Export Manufacturing: Growth Performance: NIL; Competitive Potential: MEDIUM
- Small- Scale Sector: Growth Performance: HIGH; Competitive Potential: LOW
- Urban Agriculture: Growth Performance: HIGH; Competitive Potential: LOW
- Import-Substitution Manufacturing: Growth Performance: LOW; Competitive Potential: LOW

Taking this analysis a step further, it is clear that those sectors which have the highest competitive potential, namely tourism and agro-industry are first candidates for sectoral targeting and prioritization. The key strategic interventions must seek to enhance their existing potential and in the case of agro-industries (or resource-based industries, more generally), to augment their growth performance.

**Figure 6: Tourism is the growth cluster**



Above all, as the tourism sector stands out as that sector which will lead and continue to drive the axis of economic development in Livingstone, it merits special attention. Tourism is the anchor for the growth cluster for the local economy. Tourism is the base for a potential cluster of reinforcing growth as it creates job opportunities, which in turn brings more revenues, which in turn stimulate consumption, which in turn stimulates the supply of further goods and services, which in turn may lead to lower prices, which in turn stimulates further consumption as well as strengthening the overall competitiveness of the cluster. **The key local development issue is to**

**strengthen and deepen the tourism cluster in such a manner that it gives leadership and spin-offs to other sectors in the economy of Livingstone.**

Another set of priority candidates emerge in terms of considering the local contribution to employment in Livingstone, as indicated by the growth performance analysis. What is clear is that notwithstanding their limited competitive potential, some degree of attention must be accorded to the small scale/informal sector and even urban agriculture because of their vital contribution towards poverty alleviation in Livingstone. For these two sectors the key issues are **to seek further to enhance productivity and the potential for livelihoods in those sectors which are growing in size due to the inadequate rates of job creation taking place in the formal economy.**

For the remaining sectors and activities that occupy an intermediary role in the matrix, the key issues are to seek a mixture of interventions that will both strengthen competitive potential and the contribution of these sectors towards local employment. The most difficult of these sectors to assess was that of export-manufacturing. As was argued in the earlier analysis there are many uncertainties that surround the introduction of this initiative and it was in view of these uncertainties that the competitive potential rating was that of medium rather than high, notwithstanding the extraordinarily generous existing packages of tax concessions that are on offer.

## **6.2 Identifying Priority Strategies**

Eight clusters of different strategies are proposed in order to meet the objectives for future job creation, economic buoyancy and diversification of Livingstone's economy.

### **6.2.1. Strategy 1: Strengthen and Deepen the Tourism Cluster**

For the foreseeable future, it is clear that the tourism sector will lead the economic development of Livingstone and hence must receive priority attention to grow and maximize its linkages with other sectors of the Livingstone economy.

A large number of strategic interventions to support the short and long-term development of the tourism economy are therefore recommended. In the short term:

\* Priority interventions in terms of tourism infrastructure development include

- the rehabilitation of access roads to and within the Mosi-oa-Tunya Zoological Park and extension of the Park
- the rehabilitation of the airport and City roads
- the establishment of a much improved Tourism Visitor Information Centre
- enhancing personal security for tourists

- improved signage
- Marketing of Livingstone needs to be enhanced to significantly increase the critical mass of tourist arrivals in order to substantially bring down the high cost of taking a holiday as compared to neighbouring Victoria Falls, Zimbabwe where comparable holidays in terms of accommodation and facilities are half the current costs of Livingstone.
- Maintain and Upgrade the Capacity of Livingstone Airport
- Promote investment in existing tourism plant and facilities and promote the development of new facilities
- Strengthen the range of tourism assets of Livingstone through upgrading facilities in the town center for heritage tourism
- Lobby national government that Livingstone be awarded the status of tax free zone. This is an urgent matter for in interviews with the national Director of Industries it was disclosed that the question of tax free zones is under consideration currently (November 2002) with a view to enactment in the 2003 Budget. As a result of budgetary constraints the initial proposals to introduce 5 tax free zones at Ndola, Kafue, Luanshya, Kabwe and Livingstone have been cut back. On current thinking, however, only two tax free zones may be declared with Ndola and Kabwe the preferred candidates on grounds of the depressed state of their local economies.
- If unsuccessful for securing tax free zone status, lobby that export processing zone status be extended to tourism enterprises in Livingstone whose visitors are 80 percent international.
- Seek to maximize the take-up of the national government's programme of Tourism Enterprise Development Credits in support of Zambianisation of the tourism economy
- Further develop the innovative and successful adventure products, and in the longer term, to develop Livingstone's role as the 'adventure capital' of the real Africa
- Maximise as far as possible the local sourcing of goods and services for the major tourism enterprises
- Maximise links and complementarities between tourism and other economic sectors of Livingstone, such as manufacturing and local commercial agriculture.

For the long-term, a number of these issues remain valid and several other strategic development issues arise:

- Continue to Promote New Investment in Tourism Plant and Attractions
- Ensure Livingstone Airport has necessary capacity to cope with potential new tourism flows linked to OUZIT
- Careful consideration should be given to the long-term sustainability of tourism related developments along the Zambezi River and every effort made within policy guidelines to ensure that the majestic Zambezi River remains one of the true 'real Africa' experiences and a 'must see' attraction on the continent of Africa.
- For the long-term, undertake a comprehensive local tourism development plan for the defined tourism development region, including by completing a Town Centre Tourism

Action plan. A Tourism Development Plan for the City of Livingstone should take into consideration the goal of developing a strategy and action plan that will stimulate economic growth, while protecting the areas environmental and heritage resources and ensuring benefits to local people. Despite the obvious opportunities, tourism presents the City of Livingstone with a distinct challenge. Whilst the economic benefits of tourism are significant, the potential impact of increasing numbers of visitors on the natural environment can be extreme. Growth for growth's sake is not really what is desired; if this occurs the opportunity that the visitor presents could impact negatively on local communities. Therefore, a strategic priority is to monitor and maintain a balance within the framework of a responsible tourism policy to ensure that Livingstone attracts quality tourists. This is generally the direction that the industry should pursue in the years ahead especially in the more ecologically sensitive and pristine areas. The issue around attracting low volume high yield tourists needs to be evaluated against the economic goal of increasing the customer base i.e. the critical mass.

\* For the long-term, build capacity for local tourism planning and strategy implementation. Local tourism development planning is a relatively new activity in Southern Africa, albeit often not really understood and appreciated by the majority of stakeholders and role-players. The focus in the past has been on marketing tourism products without taking into consideration the impact of such developments on the host communities and immediate environment. It is essential for sustainable tourism development that both institutional and implementation capacity is built up so that the public and private sectors can forge mutually beneficial co-operative alliances.

#### 6.2.2 Strategy 2: Enhance the Local Authority's Role and Contribution to Livingstone's Local Economic Development

In the interviews with Livingstone private sector stakeholders, the existing Council was described as "the best we have ever had in Livingstone". Nevertheless, it is clear that at present the Livingstone local authority does not have the skills capacity to direct and lead LED in the city. The appropriate short-term role of the local authority will therefore be primarily in terms of an 'enabler' of development in the city. In the short to medium-term future, the private sector will have to assume responsibility for driving the directions of economic development in the city. Over the long-term, however, it might be hoped that a future transformed local authority might take on roles of leadership in terms of directing the future path of the city's economic development.

A set of coordinated strategic interventions will be required to meet objective 1 both in the short and long-term perspectives. These include:

- Capacity building and training of staff, particularly concerning the requirements for successful local economic development planning

- The enhancement of a professional work ethos
- The identification of an internal champion within Council with the mandate to drive the Council's involvement in the LED strategy
- The long-term development of dedicated personnel to take-over the planning of local economic development.

### 6.2.3: Strategy 3: Enhance the Revenue and Asset Base of Livingstone Local Authority

There is clearly an important requirement to restore the financial viability of the local authority such that it can begin to assume its defined roles for servicing the city of Livingstone

Several overlapping interventions strategies are proposed:

- Outsource to consultants the billing and collection function for rates. Outsource even the selection of the consultant [to an investment bank] or obtain independent advice on selection and award of contract.
- In outsourcing the contract, ensure that the programme will acquire computers, which will be on a local area network and allow management to view the accounts at any time. The contract should also allow for capacity building of at least 4 Council staff. The advantages of this solution are:
  - A consultant will not suffer any conflict of interest and will therefore be able to aggressively pursue all outstanding rates payers and even obtain help from Bailiffs to enforce law.
  - Consultant's remuneration will be based on collections, and the initial set up costs will be borne by the Consultant although they are likely to be recovered later from collections.
  - Consultants will bring skill sets and be able to pass on the capacity to Council staff.
  - Computerisation will improve control environment around receipts, record keeping, storage of information etc.
  - It will be self-financing as the Consultant will be responsible for the start up costs.
- Update urgently the city property valuation roll using the Consultant with the responsibility for collecting rates. It is estimated that this process of developing a new property valuation roll will take up to one year for completion. Consider using funds from the January payment of rates by Sun Hotels to finance this exercise.
- In terms of the collection of outstanding rates (K1bn), pursue an aggressive debt collection policy with serious and enforceable consequences to defaulters. Also, develop a short term marketing strategy to sensitise the community of the need to pay their rates on time and the consequences to them for delaying or defaulting.
- Seek to develop new revenue streams, such as charges for annual business permits.

- Examine the possibility for outsourcing refuse collection with the contractor recovering costs and financing the service from fees.
- In terms of assets a strategy is required to identify non-core or non-performing assets and to hand over the Council's property portfolio to an agent.

#### 6.2.4. Strategy 4: Maximise Opportunities for Diversification of the Local Economic Base Through Promotion of Manufacturing

Tourism is a volatile base for any local economy and thus there is a need to maximize all opportunities for economic diversification, including the manufacturing sector. It is ironic that at a time when the promotion of tourism is seen as a core strategy for diversification of the Zambian national economy and for declining manufacturing centers, such as Ndola, in Zambia's tourism capital, a potential over-reliance and unhealthy dominance of the overall economy should be tempered by seeking means to grow a new manufacturing economy in Livingstone.

A number of strategic interventions are proposed:

- Promote new external investment into the local manufacturing economy by limited place promotion activities
- Maximise the opportunities offered for attracting export oriented manufacturing by encouraging the development of an export processing zone in Livingstone.
- Upgrading and enhancing the existing built environment and infrastructure for manufacturing
- Designate land for the development of a cluster of small manufacturing enterprises
- Strengthen the rural-urban linkages and enhance the value chain of agricultural and commodities produced in Southern Province in order to expand the agro-industrial base.

#### 6.2.5 Strategy 5: Maximise Development Opportunities in Commercial Agriculture

In supporting agriculture the strategic support is in terms of further strengthening the basis for linkages between Livingstone and its hinterland in Southern Province.

\* In the Transitional National Development Plan the priorities for the Southern Province are stated as follows:

- Re-stocking the cattle for small and medium scale farmers to restore livestock-crop linkages
- Restore the eminence of crop production in the regional economy through cattle disease eradication and control.

In support of the above priorities the Government has identified a number of activities such as:

1. Rehabilitation and construction of water points especially dams and weirs in all districts



2. Encourage growing of drought resistant crops and diversify crop varieties
3. Intensification of cattle disease eradication and control
4. Encourage irrigated crop production as well as provision of irrigation equipment to small scale farmers living along major water bodies to facilitate growing of irrigated crops throughout the year
5. Rehabilitation of feeder roads particularly those leading to productive areas.
6. Introduce group crop marketing
7. Encourage community based tourism

In order to achieve the priorities the TNDP 2002 -2005 has the following objectives and strategies:

**Table 17: Transitional National Development Plan Objectives and Strategies for Agriculture**

	OBJECTIVES	STRATEGIES
1.	To ensure household food security throughout the year	<ul style="list-style-type: none"><li>• Eradicate livestock diseases</li><li>• Encourage growing of drought resistant crops such as cotton, sorghum and maize varieties</li><li>• Intensify livestock disease surveillance and control</li><li>• Improve supply of drugs and other chemicals to enable every farmer to dip and vaccinate their cattle against notifiable diseases</li><li>• Provide support to public affirmative cattle restocking program</li><li>• Improve provision and timely supply of agricultural inputs</li></ul>
2.	To encourage water harvesting for irrigation and animal consumption	<ul style="list-style-type: none"><li>• Rehabilitating dams and weirs and constructing new ones</li></ul>
3.	To improve crop marketing system to make farming a viable business	<ul style="list-style-type: none"><li>• Improve crop marketing information to farmers to protect them from exploitation</li></ul>

The above priorities, objectives and strategies are equally relevant and applicable to the Livingstone district. It is therefore recommended that the City of Livingstone should adopt the same and include the following:

\*Under Objective 1, we suggest inclusion of a strategy to strengthen extension service and expand coverage to include commercial farmers.

\*Under Objective 3, we suggest inclusion of a strategy to improve farm produce marketing through promotion of a Saturday market in Livingstone in order to further enhance also the potential for linkages with the tourism economy.

#### 6.2.6 Strategy 6: Enhance the Local Skills Base of Livingstone

In several interviews conducted across tourism, construction and manufacturing enterprises, the issue was raised of “the lack of skilled manpower” that was available in Livingstone. This raises the need for a better matching of local skills training with the demands of the local labour market.

The following strategic interventions are required:

- Enhance the quality of existing training and of existing training institutions in Livingstone
- Develop targeted skills training programmes for groups in the labour force that require specific intervention, such as youth.
- Enhance programmes for training for entrepreneurship and business management.
- Improve skills for participants in the informal economy, including urban agriculture

#### 6.2.7 Strategy 7: Improve the Productivity and Livelihood Opportunities in Livingstone’s Small Enterprise and Informal Economy

The small enterprise and informal economy in Livingstone must be regarded as a critical sphere for policy intervention in terms of its existing large contribution for employment creation and towards poverty alleviation. There is a pressing need both to enhance wherever possible opportunities for the growth of enterprises and more broadly enhance livelihood opportunities for survival.

Several strategic interventions are recommended in support of Objective 7

- Promote linkages between the large and formal enterprises and the small enterprise economy
- Encourage local procurement of goods and services
- Provide information and advice on business opportunities as well as potential support facilities for enterprises
- Establish the “Green Market” as a link between rural producers and urban consumers.
- Provide advice and assistance to urban cultivators and remove unnecessary constraints on the sector
- Establish an incubator facility that incorporates shared equipment and facilities as a seedbed for small manufacturers.

#### 6.2.8 Strategy 8: Monitor the Progress of Local Economic Development in Livingstone

It is necessary that the progress of any activities and strategic interventions for local economic development be assessed and regularly monitored. This would allow a realignment of local interventions with changing global, regional or, national conditions

In support of objective 8 the following strategic interventions are proposed.

- Establish and maintain a local economic data base of enterprises and activities in Livingstone
- Seek to undertake a regular update of local economic trends and support needs of key sectors in the local economy

## **7. KEY RECOMMENDATIONS AND ACTION PLANS**

The key action plans recommended in this section are designed to further support the eight set of different strategies which were specified above. In addition, they seek to incorporate the prioritization of sectors for targeting that was discussed also in Section 6. Overall, the mix of project interventions are designed to support objectives of pro-growth and as well as addressing poverty.

It is argued that progress towards achieving the core objective of expanding job creation, economic diversification and renewing economic vitality in Livingstone's local economy will have important consequences for reducing poverty. Nevertheless, given the problems of poverty in Livingstone it is recommended there within any local economic strategy for Livingstone there is an imperative need for a set of direct pro-poor interventions.

### **Nine Key Projects and Action Plans are identified for Potential Funding:**

#### **PROJECT 1: The Establishment of a Comprehensive Tourism Development Plan for the Livingstone Tourism District**

- The objective of this plan would be to consolidate a comprehensive tourism plan for Livingstone and its surrounds in support of maximising the short- and long-term impact of tourism in the local economy.

#### **PROJECT 2: The Establishment of a One-Stop Investment Centre, the Livingstone Investment Centre**

- The mission of this Center would be: *inter alia*, to function as a source of information for potential external investors about Livingstone; be an investor-friendly center offering a 'road map' on how to invest in the town; undertake limited place promotion; and, function as a listening post in terms of interacting on changing national policies (EPZs, tax free zones, regional initiatives) that would impact upon investment in Livingstone. An important additional function would be as a focal point for lobbying national government on behalf of the city of Livingstone. This center would be a satellite activity linked to the Zambia Investment Centre.

#### **PROJECT 3: The Establishment of a Local Business Service Centre in Livingstone**

- The mission of this center would be to act as a parallel focal point for supporting the development of the small enterprise economy in Livingstone. Its mandate would be in terms of provision of advice, information on training and finance as well as the encouragement of expanded business linkages between large and small enterprises.

#### **PROJECT 4: Upgrade the Livingstone Trade and Training Institute**

- The objective is to support the skills development and upgrading for the city as a whole by upgrading the capacity of the existing trade and training institution

#### **PROJECT 5: The Development of a Reformed Revenue Collection System in Livingstone**

- The objective of this programme would be to support the Livingstone Local Authority in improving its revenue streams by in particular the preparation of a new property valuation roll and the reform of existing revenue collection procedures.

#### **PROJECT 6: Livingstone Industrial Infrastructure Upgrading**

- The objective of this project would be to enhance the potential of Livingstone to expand the industrial base through the potential attraction of external investors (EPZ), an enhanced environment for the growth of small industry, and incubator spaces for micro-enterprise

#### **PROJECT 7: Urban Agriculture Support Programme**

- The objective of this programme would be to improve the productivity, outputs and activities of urban agriculture in Livingstone. It would include the removal of municipal zoning restrictions as well as provision of advice and information to urban farmers.

#### **PROJECT 8: The Development of a Green Market**

- The objective of this market would be to function as a link and interface between small farmers and urban consumers, including for the potential supply and linkages with tourism lodges

#### **PROJECT 9: Livingstone Local Authority Capacity Building**

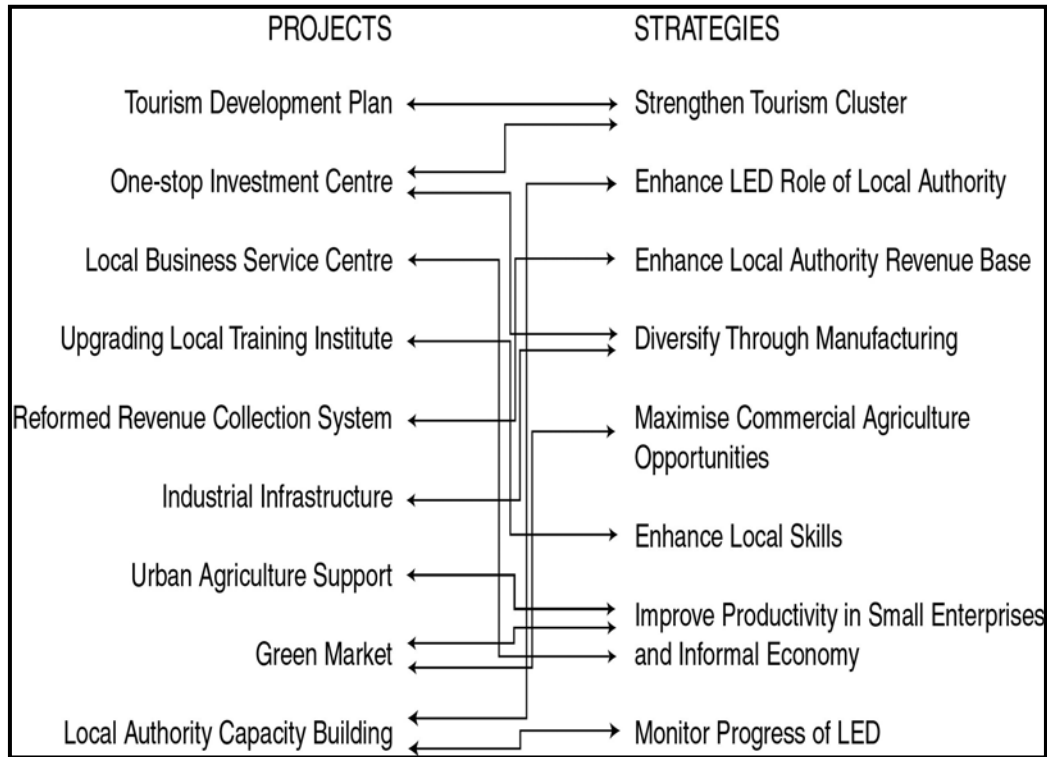
- The objective of this project would be to build capacity within Livingstone Local Authority with the long-term goal of assuming an expanded role for local economic development. An additional component of this project would be to liaise with the Livingstone Investment Centre for the preparation of an information system and economic data base designed to support local economic development planning

Each of these projects will require the development of a strategic partnership between the Council and the local private sector or external donors for implementation. As mentioned at the outset of this report the making of and working of these partnerships is the essence of local economic

development which is working towards the fulfillment of the shared vision of Livingstone's stakeholders.

Overall, the synergies, relationships and supporting linkages between these nine proposed projects and the eight sets of detailed strategies (discussed in Section 6) are demonstrated on Figure 7

**Figure 7: Linkages between the Proposed Projects and Strategies**



**In conclusion, it is argued that - taken together - these nine key projects in support of the detailed strategies as discussed in Section 6 afford a foundation for a Local Economic Development Strategy for the city of Livingstone. The appropriate implementation and successful operationalization of these projects would allow Livingstone at last to “come out of the shadow” of the big sister of Victoria Falls, Zimbabwe.**

## 8. SOURCES AND LIST OF INTERVIEWS

### 8.1 Published and Unpublished Material

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## **8.2. List Of Interviews**

Interviews were conducted in Livingstone, Lusaka and Johannesburg

### **Interviews Conducted in Livingstone**

G. Kalenga, Town Clerk, Livingstone City Council  
Clement Chisanga, Director, Planning, Livingstone City Council  
Mr Mpepo, Deputy Director of Finance, Livingstone City Council  
Mr Lileme, Director of Finance, Livingstone City Council  
Mr Mwitungwa, Chief Accountant, Livingstone City Council.  
Mr Thole, Senior Accountancy Assistant, Livingstone City Council  
Cooper Hazeeba, IT Manager, Livingstone City Council  
Gill Staden, Member of Advisory Board, Livingstone City Council  
Margaret Whitehead, Councillor, Livingstone City Council  
Emmanuel Mutale, Chair, District Business Association  
Moses D. Simwizyi, Regional Statistician, Central Statistical Office  
Numeral Banda, Provincial Planner, Department of Physical Planning & Housing, Southern Province  
B.K Mumba, Regional Manager, Zambia Electricity Corporation  
Hamakando Matimba, Human Resources Manager, Zambia Textiles Limited  
Pravin Patel, Director, Continental Textiles  
A.Desai, Marketing Manager, Continental Textiles  
V. Sundararaman, Finance Manager, Continental Textiles  
Evans Mukuwa, Human Resources Manager, Continental Textiles  
G.D.Cole, Branch Manager, National Milling Corporation  
Gabriel Masuhwa, Accountant, National Milling Corporation  
S.Sakala, Principal Labour Officer, Livingstone District Labour Office  
R.M. Hamasowe, Labour Officer, Livingstone District Labour Office,  
Felix Daka, Chair, Cross Borders Traders Association, Livingstone  
Ruth Henson, Chair, Zimba, Livingstone Farmers Association  
Remmy Moonga, Director, WoodPecker Woodworks  
Ferdinand Hamanjira, Operations Manager, Barclays Bank of Zambia  
Moses Mambwe, Member, District Business Association  
Phinias Peme, Disciplinary Chairman, Curio Traders Association  
Justin Chilebela, Secretary, Curio Traders Association  
Michael Musaakwa, Vice Secretary, Curio Traders Association  
Katupa Chongo, District Agricultural Coordinator, Ministry of Agriculture and Cooperatives  
Webster K. Mhango, Area Manager (Southern), CETZAM Opportunity Microfinance  
Zamiwe Hojane, Branch Manager, CETZAM Opportunity Microfinance  
T.J.N. Murthy, General Manager, Supersonic International Zambia  
Ronald Akakulubelwa, Project Coordinator, Sepo Centre

Maurine Mwale, District Forestry Officer, District Forestry Office, Ministry of Environment and Natural Resources.

Boris Borman, General Manager, Sun International

John Airey, Hotel Manager, Zambezi Sun, Sun International

Alec Machindu, Chair, Livingstone Farmers Cooperative

Urban Hankunku, Secretary and Treasurer, Livingstone Farmers Cooperative

Yahya Shabiby, Manager, Livingstone Sawmills

T.T. Basheerudden, Manager, Livingstone Sawmills

Ronnie Parbhoo, Finta and Chair, Livingstone Chamber of Commerce

Percy Bwalanda, Programme Manager, International Executive Service Corps

Nick Moyo, Owner/Director, Ocean Basket

Lucy Renew, Owner/Manager, Kubu Crafts

Steve Martin, Investor and Manager, Rumcortin Meat Processors

Brian Freestone, Investor and Manager, Rumcortin Meat Processors

Mr Chipenzi, Regional Manager, Southern Water

Judi Helmholtz, Owner and Partner, H & S Consultants

Clarissa Hughes, Director Bundu Adventures and Vice-Chair, Livingstone Tourism Association

Harold C. Mweene, Regional Tourism Development Manager (South-West), Ministry of Tourism.

Alan R. Harkness, Group General Manager, Tongabezi Lodge and Chair, Livingstone Tourism Association.

Donna Murray, Secretary, Livingstone Tourism Association

Charles Chakanya, Area Manager, United Touring Company

Simon Musonda, Regional Manager, National Heritage Conservation Commission

Benjamin Mibenge, Executive Director, National Heritage Conservation Commission

John C. Kapumpa, Director; Administration, Livingstone City Council

Arthur Sonnenburg, Owner/Partner, Zambezi Nkuku

Dave Lewis, Owner, Gecko's Guest House

Paul Quinn, Owner, Jolly Boys Backpackers

Daan Brink, Owner, African Queen and Batoka Sky

Tony Pilcher, Owner, Jet Extreme

Mr. Nana, Owner Ngilide Lodge

Peter Jones, Owner, River Club

Mungoni Sitali, Senior Keeper, Livingstone Museum

Steve McCormick, Owner, The Zambezi Waterfront

Mary Sumbwa, Manager, The Zambezi Waterfront

Gabriel Zulu, General Manager, Wasawange Lodge and Tours

Walusiki, Lisulu, Director, Wasawange Lodge and Tours

P.Naidoo, Owner/Partner, New Fairmount Hotel

C.B. Mudenda, Manager, New Fairmount Hotel

Emma Turner, Manager, Fawltly Towers Backpackers Lodge

Dave Bennett, Owner/Manager, Susi & Chuma Lodge

### **Interviews Conducted in Lusaka**

Justina Wake, Director, Planning and Tourism, Ministry of Tourism and Natural Resources.  
Jessica Chombo, Advisor, Zambia Investment Centre  
Doris Kofi, Assistant, Zambia National Tourism Board  
Ronald Black, Director, Zambia Trade and Investment Enhancement Project  
L. Kanyemba, Manager, Export Board of Zambia  
Chila Chikwanda, SME Coordinator, World Bank Office  
Anne Mtamboh, Director: Industry, Ministry of Commerce, Trade and Industry  
Gerard Tembo, Acting Director: Trade, Ministry of Commerce, Trade and Industry  
Bridgette Muyenga, Director; Finance, Lusaka City Council  
Elias Chipimo, Lawyer, Corpus Globe.  
Natasha Chiumya, Micro-finance specialist, SIDA

### **Interviews Conducted in Johannesburg**

Sally Peberdy, Manager, Southern Africa Migration Project.  
Kenneth Small, Director, OUZIT Project, Development Bank of Southern Africa.  
Ian Anderson, International Sales and Marketing, Sun International  
Francis Mfuné, Marketing Manager, Regional Tourism Organisation for Southern Africa

## APPENDIX A: Revenue Flows/Sources in Livingstone

### Livingstone City Council District Fund Receipts and Payments for the period January 2002 - August 2002

Revenue	Budget	% of total budget	To date	% of budget collected	% of total revenue collected
<u>Local Taxes</u>					
Rates	2,786,627,770	45.21	1,284,234,890	46.09	53.8
Grants	1,000,000	0.02	-		
Personal Levy	110,000,000	1.78	84,881,444	77.16	3.6
Levies	210,000,000	3.41	71,444,623	34.02	3.0
Grants from Water Company	800,000,000	12.98	-		
Sub total	3,907,627,770		1,440,560,957		
<u>Charges</u>					
Rent – LCH	5,760,000	0.09	-		
Rent other housing	142,560,000	2.31	33,993,500	23.85	1.4
Refuse charges			240,000	0.00	
Sales non commercial			-		
Transport charges	60,000,000	0.97	-		
Sale of Council Building	71,200,000	1.16	43,235,529	60.72	1.8
Sub total	279,520,000		77,469,029		
<u>Other receipts</u>					
Repayment of Loans	3,000,000	0.05	-		
Other Income	1,928,925,000	31.29	392,799,716	20.36	16.5
Sub total	1,931,925,000		392,799,716		
<u>National Grants</u>					
National Support	45,255,000	0.73	475,000,000	1049.61	19.9
Sub total	45,255,000		475,000,000		
Grand total	6,164,327,770		2,385,829,702	38.70%	

**Livingstone City Council**  
**District Fund**  
**Receipts and Payments for the period January 1999 - December 1999**

Revenue	Budget	% of total revenue	To date	% collected	% of total collected
<u>Local Taxes</u>					
Rates	1,088,214,000	34.91	633,458,542	58.21	45.26
Grants	1,400,000	0.04	-		
Personal Levy	78,000,000	2.50	74,910,197	96.04	5.35
Levies	109,300,000	3.51	109,086,501	99.80	7.79
Grants from Water Company	60,000,000	1.92	18,906,383	31.51	1.35
Sub total	1,336,914,000		836,361,623		
<u>Charges</u>					
Rent - LCH	20,000,000	0.64	24,631,871		
Rent other housing	232,760,000	7.47	23,767,844	10.21	1.70
Refuse charges	36,000,000		16,455,100	0.00	1.18
Sales non commercial	-		-		
Transport charges	90,000,000	2.89	-		
Sale of Council Building	819,000,000	26.27	271,224,983	33.12	19.38
Sub total	1,197,760,000		336,079,798		
<u>Other receipts</u>					
Repayment of Loans	850,000	0.03	-		
Other Income	567,450,000	18.20	227,284,633	40.05	16.24
Sub total	568,300,000		227,284,633		
<u>National Grants</u>					
General	14,520,000	0.47	-	0.00	
Sub total	14,520,000		-		
Grand total	3,117,494,000		1,399,726,054	44.90%	

**Livingstone City Council**  
**District Fund**  
**Receipts and Payments for the period January 2000 - December 2000**

Revenue	Budget	% of total revenue	To date	% budget collected	% of total collected
<u>Local Taxes</u>					
Rates	1,163,000,000	34.44	759,552,597	65.31	46.99
Grants	1,000,000	0.03	-		
Personal Levy	80,000,000	2.37	94,992,840	118.74	5.88
Levies	128,600,000	3.81	100,373,862	78.05	6.21
Grants from Water Company	30,000,000	0.89	1,004,046	3.35	0.06
Sub total	1,402,600,000		955,923,345		
<u>Charges</u>					
Rent - LCH	148,560,000	4.40	24,969,818		1.54
Rent other housing	68,160,000	2.02	27,057,000	39.70	1.67
Refuse charges	-		-	0.00	
Sales non commercial	-		-		
Transport charges	105,000,000	3.11	-		
Sale of Council Building	95,180,000	2.82	43,614,447	45.82	2.70
Sub total	416,900,000		95,641,265		
<u>Other receipts</u>					
Repayment of Loans	3,000,000	0.09	-		
Other Income	1,531,959,000	45.36	444,777,131	29.03	27.52
Sub total	1,534,959,000		444,777,131		
<u>National Grants</u>					
General	22,575,000	0.67	120,000,000	531.56	7.42
Sub total	22,575,000		120,000,000		
Grand total	3,377,034,000		1,616,341,741	47.86%	

**Livingstone City Council**  
**District Fund**  
**Receipts and Payments for the period January 2001 - December 2001**

Revenue	Budget	% of total revenue	To date	% collected	% of total collected
<u>Local Taxes</u>					
Rates	2,308,213,000	52.93	1,341,737,664	58.13	31.85
Grants	1,000,000	0.02	-		
Personal Levy	100,000,000	2.29	95,998,776	96.00	2.28
Levies	200,000,000	4.59	124,170,094	62.09	2.95
Grants from Water Company	-	0.00	-	0.00	
Sub total	2,609,213,000		1,561,906,534		
<u>Charges</u>					
Rent - LCH	5,760,000	0.13	8,760,000	152.08	0.21
Rent other housing	166,120,000	3.81	38,053,303	22.91	0.90
Refuse charges	-		-	0.00	
Sales non commercial	-		-		
Transport charges	32,000,000	0.73	-		
Sale of Council Building	45,700,000	1.05	44,774,386	97.97	1.06
Sub total	249,580,000		91,587,689		
<u>Other receipts</u>					
Repayment of Loans	3,000,000	0.07	-		
Other Income	1,456,542,000	33.40	1,198,818,148	82.31	28.46
Sub total	1,459,542,000		1,198,818,148		
<u>National Grants</u>					
General	42,255,000	0.97	1,360,000,000	3218.55	32.29
Sub total	42,255,000		1,360,000,000		
Grand total	4,360,590,000		4,212,312,371	96.60%	



## APPENDIX B: List of Livingstone Council Properties

### LIST OF COUNCIL PROPERTIES AS AT 1995 VALUATION ROLL

NO	NAME OF PROPERTY	STAND/PLOT No	VALUE IN KWACHA
1	Water undertaking	Sichengo Road (269(s))	Exempt
2	Boat Club	Sichengo Road (270(s))	49,000,000
3	House and Servants Quarter	Sichengo Road 270 Re(s)	27,200,000
4	Cemetary	Nakatindi Rd (333(a))	Exempt
5	Clinic	John Hunt Way 96	8,800,000
6	Office and Stores	John Hunt Way 98	8,800,000
7	Council Offices	Mosi-O-Tunya Road 123	100,000,000
8	Public Park	Mosi-O-Tunya Road 127	Exempt
9	Cemetary	Nakatindi Rd 478	Exempt
10	Hall	Senanga Road 489,490, & 491	40,800,000
11	Public convenience	Zambezi Street	Exempt
12	Poultry Farm	Mosi-O-Tunya Road 1677	15,800,000
13	Sewage disposal works	1954 Muchinga Way	Exempt
14	Civic Centre	Mosi-O-Tunya Road 1952	326,900,000
15	Public convenience	Off Mosi-O-Tunya Road 2108,2109	5,800,000
16	Sports field and club house	Kafubu Road 2118	6,100,000
17	Tavern	Linda Road 2156	13,300,000
18	Market	Njobvu/Choongo 1718/2613	28,900,000
19	Tavern	1718/2813	15,200,000
20	Off Sales Kiosk	Dambwa South-unsurveyed	500,000
21	Community Centre	Dambwa Central - 8	22,800,000
22	Co-operative Market	Dambwa South - unnumbered	28,900,000
23	Tavern	Dambwa Central - unnumbered	15,200,000
24	Butchery	Maramba Township Area 45/2072	3,400,000
25	Offices and Stores	Maramba/Linda (former Canteen area)	22,800,000
26	Tavern	Maramba/Linda (former Canteen area)	20,600,000
27	Community Hall	Maramba/Linda (former Canteen area)	33,900,000
28	Public convenience	Maramba Road 2072	1,200,000
29	Market	Maramba/Linda 2072	47,000,000
30	Public convenience	Maramba Road Unsurveyed	1,200,000
31	Housing and Community Development Office	East of Maramba	10,600,000
32	Housing and Community Development Office	Linda Road (Unsurveyed)	4,300,000
33	Welfare Hall	Accra Road (Unsurveyed)	13,900,000
34	Tavern A	East Maramba (Unsurveyed)	15,200,000
35	Tavern B	Presidents Road (Unsurveyed)	10,500,000
36	Butchery	Matebe Road	4,000,000
37	Social Welfare Centre	Off Maramba/Linda	29,800,000
38	Welfare Hall and Offices	Dambwa Road (Unsurveyed)	28,500,000
39	Market Co-operative	Kazembe Street (Unsurveyed)	19,500,000
40	Tavern	Kazembe Street (Unsurveyed)	15,200,000
41	Shop	Mukuni Road (1)	6,100,000

42	Shops 04 No	Silumbu Avenue	14,100,000
43	Market	Mungwi Road	30,200,000
44	Welfare Hall and Offices	Off Sikute Road	Vandalised
45	Housing and Community Dev Office	Mulunga Road (unsurveyed)	4,300,000
46	Tavern A	Sikute Road (Unsurveyed)	15,200,000
47	Tavern B	Lewanika Street (Unsurveyed)	19,400,000
48	Cottage	Mkandawire 1265/2813	1,800,000
49	Cottage	Mkandawire 1288/2613	1,400,000
50	Butchery	Mkandawire 2325/2614	2,900,000
51	Dambwa Housing Offices	Chipata Road (Unsurveyed)	8,300,000
52	Off Sales Kiosk	Lenda Road (Unsurveyed)	5,300,000
53	House and Servants Quarter	2 Flamboyant (832)	31,700,000
		<b>TOTAL</b>	<b>1,136,300,000</b>

*Source of information : 1995 Valuation Roll*

## APPENDIX C: Livingstone/Kazungula district commercial farmers and activities.

No.	Name of Farm	Name of Farmer 1. Farm Manager 2.	Farm No.	Farm size	Locality	Address	Activities	Crp. L. stock Pou.	
1	Eastwood	Neville Alexander Cloette 2.	3069	660Ha	15 Km east of L'stone Simatobolo Highway	60259	x	x	x
2	E.M. Mukwa	Munan'gandu Hatembo 1.	3072	350 Ha	12 Km east of L'stone Simatobolo Highway	61131	x	x	x
3	Boanerges	Mike & Jones! Kelvin Beall	3106 1944	9,975 Acres	17 Km from L'stone along Lusaka Rd (Senkobo)	60198	x	x	x
4	Bindi Meadow	P.R. Patel 2.	1520	240 Ha	15 km from L'stone along Nakatindi Rd Turn 2 Km south	60010	x	--	--
5	Finta Farm	J. Bizimungu	1966	1187 Ha	20 Km east of L'stone Simatobolo Highway	60023	--	x	--
6	Kamana Farm	G.F. Patel 1.	2884	52 Ha	12 km from L'stone along Nakatindi Rd Turn 1 Km south	60421	x	--	--
7	Liyoyelo Farm	Mushokabanji Nyaywa 1.	1607	40 Ha	12 km from L'stone along Nakatindi Rd Turn 1.5 Km south	60639	x	--	--
8	Yakana Farm	Gideon Lweendo 1.	722 sub div B/E	40 acres	10 km from L'stone along Nakatindi Rd Turn 6 Km North	60559	x	--	--
9	Dixieland Farm	S.O. Abdul Karim 1.	219 M	27 Ha	12 km from L'stone along Nakatindi Rd Turn 1 Km south west	60326	x	--	x
10	Kalisowe Farm	Lubasi Kabika 1.	3110	133 Ha	12 km from L'stone along Nakatindi Rd Turn 2 Km south west	60854	x	x	--
11	Liondo Farm	Nyambo Mufalali	16 A	36 Ha	10 km from L'stone along Nakatindi Rd (Simoonga)	60324	x	--	--
12	Melrose Farm	G.M. Patel 1.	1134	8 Ha	10 km from L'stone along Nakatindi Rd Turn 1 Km south	60709	x	--	--
13	Chuundu Farm	Murray Evans 2.	1492	635 Ha	20 km from L'stone along Nakatindi Rd	61160	x	x	--
14	Constantia Farm	Michael Welch 1.	749	400 Ha 880 Acres	28 km from L'stone along Nakatindi Rd Turn 3 Km south	60273	x	x	--
15	Zambezi Farm	R.S. Vincent 1.	3912	1300 Acres	28Km from L'stone along Nakatindi Rd Turn 4Km S.West	60306	x	x	--
16	Soonga Farm	Soonga Raymond 1.	2659	40 Acres	Maramba Cultural Village along the Vic. Falls Rd.	60500	x	x	--
17	Crayfish Farm	Cecil James Grubb 1.	Plot 412, 414, 1944	52 Ha	Linda Livingstone	60827	x	--	x
18	Maramba Drift	Bharatkumar 1.	417	33 Ha	Linda Livingstone	60331	x	--	--
19	Outspan Farm	J.T. Basson 1.	3234	500 Ha	10 Km East of L'stone Simatobolo Highway	60414	x	x	x
20	Martindale	Lloyd Henson 1.	3256	476 Ha	12 Km East of L'stone Simatobolo Highway (Bible College)	60641	x	x	x
21	Hamungwe	Samson W. Ngwenya 1.	1012	588Ha	50 Km from L'stone along Lusaka Rd	60407	x	x	--
22	Suncel Farm	P.K. Nair 1.	2168	13.5 Acres	Linda Livingstone	610048	--	--	--
23	Green Valley Farm	Chimuka S. Mwiinga 1.	3622	2571 Ha	38 Km from L'stone along Lusaka (Milangu)	60140	x	x	--
24	Mabula Farm	Beat Kurth	2937	1600 Ha	40 Km from L'stone along Lusaka (Milangu)	60539	x	x	--
25	Surprise Farm	P. J. Combrick 1.	3335	3124 Ha	28 Km from L'stone along Lusaka Rd Turn 10 Km East	60194	--	x	--
26	Falls View	G.S. Cornhill	3625	1709 Ha	33 Km from L'stone along Lusaka Rd Turn 5 Km East	61034	--	x	
27	El-toro Ranch	Attan Himwaze	74A, 426A,	1200 Acres	45 Km from L'stone along Lusaka Rd Turn 5 Km East	60702	--	x	--

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			422A, 300321						
28	Ngala Farm	Mutinta Muhyila 1.	3166	1428 Ha	28 Km from L'stone along Lusaka Rd (Senkobo)	61076	x	x	
29	Sinde Valley	Mutinta Muhyila 1.	2224	634 Ha	10 km from L'stone along Nakatindi Rd Turn 10 Km North	61076	--	x	--
30	Snow -Vale	Daniel H. Kaliba	76 A	3,000 Acres	28 Km from L'stone along Lusaka Rd turn 5 km east	60846	x	x	--
31	Munan'gandu	Luundu Munan'gandu 1.	3382	420 Ha	45 Km from L'stone along Lusaka rd (Senkobo)	60089	x	x	x
32	Jelana Farm	E.J. Hockley 1.	3624	1928 Ha	33 Km from L'stone along Lusaka Rd (Senkobo)	60101	x	x	--
33	Maramba Produce	Ramanlal Kanjibhai Patel 1.	401-401	10 Ha	Linda Livingstone	61311	x	x	x
34	Tiggs Farm	Edith Tigere	4075	245 Ha	5 Km from Livingstone along old Lusaka Rd	61311	x	x	x
35	Hamucha Farm	Alick Muchindu	3178	62 Ha	10 Km East of L'stone along Simatobolo Highway Turn Right	60172	x	--	--
36	Busiku Farm	Colen Brander 1.	1965	1300 Ha	8 Km from L'stone along Lusaka (Old) Rd	60694	x	x	--
37	St. Quinton	Kabika Malambo 1.	1964	1444 Ha	10 Km from L'stone along Lusaka (Old) Rd	61038	x	x	x
38	Vistana Farm	Masupa Alfred 1.	722 K,q	16 Ha	10 Km from L'stone along Nakatindi Rd Turn Right go 6 Km	670371 Mazb.	x	x	--
39	Lyambai Farm	Judi Helmholtz & A. Sonnenberg	3110 sub. div	20 Ha	12 Km from L'stone along Nakatindi Rd Turn Left	60604	--	--	x
40	Mbuyelo Farm	Simsiku Pumulo	2667 2230	172 Ha	11 Km from L'stone along Nakatindi Turn right	60844	x	--	x
41	Nasanzu Farm	Sichanchikandawa Vincent	2258	136 Ha	5 Km from L'stone along Simatobolo Highway	60898	x	x	--
42	Merea Ranch	Joseph Handezu Mwaanga	3572 856	1713 Ha	53 Km from L'stone along Lusaka Rd Turn 1 Km West	85 Zimba	x	--	--
43	Makoli Farm	Nelson Masepela Mwilu	3355 860	1599 Ha	50 Km from L'stone along Lusaka Rd Turn right	52 Zimba	x	x	--
44	Ridgeway Farm	Mambali Mukuni	854	651 Ha	56 Km from L'stone along Lusaka Rd Turn 2 Km West	38 Zimba	x	x	--
45	Ndashoma	Loyd Sibbili	3435	250 Ha	53 Km from L'stone along Lusaka Rd Turn 1 Km West	90 Zimba	x	x	--
46	Twalumba	Stanley Hamweeba	3434	244 Ha	56 Km from L'stone along Lusaka Rd Turn 3 Km West	138 Zimba	x	x	--
47	Mabombo Rainbow	Rebecca Namitwe	855	235 Ha	54 Km from L'stone along Lusaka Rd Turn Right	60827	x	x	--